

# FAR EASTERN ECONOMIC REVIEW

Vol. VIII

Hongkong, February 23, 1950

No. 8

## The Full Perspective of American Economic Policy in the Far East

By E. Stuart Kirby

This is the fourth and last of a series of articles reviewing the four sections of "Next Step in Asia", a little book which gives an unusually penetrating assessment of American policy towards East Asia. Its final section is entitled "The Asiatic Context of our Far Eastern Economic Policy", and is written by Mr. William L. Holland, who is well known in the Far East and has long been connected with the IPR, of which he is now Secretary-General.

Mr. Holland points out that circumstances made it very difficult for Americans to realise the extent and nature of the profound changes that have recently occurred in East Asia. Various illusions have prevailed. Immediately illusory was the appearance of almost unlimited power and prestige enjoyed by the United States in the Far East, just after the War. In terms of the old conception of "power politics," it seemed that Britain had ceded her former place in the Far East, and the other colonial powers were in weakness and difficulty. Apparently only America and Russia remained, as valid external influences. Mr. Holland suggests that the terms of that old-fashioned "power" analysis are largely irrelevant or misleading. He insists on treating the problem on the scale of the world economy, and in the terms set by the latter. Europe is a most important constituent, in this setting. Mr. Holland advises his countrymen that "We must avoid the idea that the U.S. is the sole source of the machines, funds and technical or managerial skill needed for the rebuilding of Asia's war-devastated areas and the modernization of her economic life."

Russian influence in East-Asia was at first discounted in America just after the war. Soviet ability to intervene directly or militarily in the Far East was clearly less than it was in East Europe. When the next stage developed, the "Cold War", it was seen that other means were available to the Russians. The "Cold War" situation led to another illusion — or at least oversimplification — in American minds; namely, the idea that almost all the obstacles to American policies and good intentions in the East were deliberately created or greatly intensified by Russia or by local Communists. Of course, many of them were; but Mr. Holland wisely stresses that there were many that were independent of Russian origin, and some indeed that "have their roots deep in the traditional structure of Asiatic society". This overestimation of the role of the new Russian Imperialism leads to misjudgements. Moreover, it places the U.S. (directly or indirectly) in the

compromising position of supporting local reactionary elements.

Another vital error was the underestimation of the difficulty of applying western technical methods to Asian conditions. This is not merely a physical or "operational" problem, as the machine-minded Westerner tends to regard it, but involves some very deep-rooted social and psychological factors. Instances are drawn from the case of the delivery under UNRRA of a fine modern fishing fleet to China, which was left lying idle "because of the opposition of powerful political interests in the Shanghai fishing guilds," and from the cases of engineering projects which broke down because of "the contrast between the skill and integrity of the engineers of the National Resources Commission . . . and the incompetence and disloyalty of the old-style political and military leaders."

The last instance given does perhaps invite the comment that some blame can also be attached to the technicians, and others of their social class; we heard quite a lot from UNRRA staffs, for instance, about Chinese engineers who had a "blue-gown complex", one symptom of which is a fear of getting their hands dirty. But the point is well made that the ingredients for Eastern industrialisation are qualitatively very mixed, and that in such countries as those of the Far East the purely mechanical problems are immediately bound up with social ones. The purveyors of new wine must study how to deal with old bottles.

Mr Holland at this point draws attention to another aspect in which Asia's relations with Europe and the British Commonwealth may be of even greater importance than its relations with America. This aspect is often underestimated by all those, not all of them Americans, who (with much reason) have supreme confidence in the wonder-working capacity of American technique. "No one will deny" (writes Mr. Holland) "the unique importance of American capital and know-how in an Asia which cannot readily turn, as in the past, to Britain, western Europe, and Japan for industrial plants, technicians, ships, loans, and banking services. But it would be deceiving ourselves to think that American trade or economic assistance can even approximately take the place of the complex network of commercial and financial relationships which existed among the countries of the pre-war Far East and

between them and the major trading countries of the world."

Mr. Holland might well have related this consideration, more explicitly than he does, to the next very valid point that he makes: namely, that the problem of Asia's reintegration is vastly complicated by the fact that the United States has since the war pursued separate, dissimilar and uncoordinated policies in China, Korea, Japan and the Philippines. This is one reason why the course of events in Asia did not take the shape of a "Marshall Plan for the Far East." There were of course many reasons why arrangements on that particular pattern would not have been practicable in the Far East; but the chief general reason was the lack of cohesion (at least, of the sort of organisational cohesion required) among the national units concerned. If there had been a "general line" of U.S. economic policy, or better practical co-ordination, at least between the four areas where American influence was most direct, there might have been a better basis for international collaboration for economic development, in East Asia.

Better coordination would have made easier, in every way, a problem which is now becoming sharp — the reintegration of Japan into the trading and industrial pattern of the Far East and of the world. The reentry of Japan must be effected in a manner which gives, to all the nations concerned, assurances against a resurgence of Japanese aggression. There must be economic safeguards as well as those which are military, political and social in nature. A whole protective system is required, which must be multilaterally devised and collectively operated. It is another American illusion that the responsibilities in this matter fall exclusively on the United States. Only a many-sided solution can bridge the gap which exists almost everywhere (so far as the question of Japan is concerned) between peoples and governments in E. Asia. The governments have now generally accepted, in principle, the vital necessity of restoring Japan at least partially to the position of "workshop of the Far East", and provider of some at least the shipping and commercial services rendered by Japan before the war. There is even gradual recognition of the fact that Japan should (though as a fully demilitarised country) play a major part in future economic development, and is remarkably well adapted to such a part. The people at large in the Far Eastern countries have however no practical conception of the relative economic importance of Japan, and have only painful memories of war-



time Japanese rule.

Economic planners and others who make imposing analyses and projections based on expert knowledge of the relatively large economic potential of Japan, and calculations taking the average of 1930-34 as 100, and so forth, might consider that the general public in Asia hardly realises or remembers—through a decade in which the impact of Japan has meant to them not only various personal cruelties but also acute shortages of all commodities, and total disturbance of their economic system— which Japan's contribution of goods, services and expertise had previously been, or what it might become again. An integral American approach in the Far East, on the multilateral lines suggested, and showing some very wide underlying will to assist (such as is evident in the American approach to Western Europe and South America), would transform the situation in this respect. To treat Japan as a special and separate case inevitably perpetuates suspicions of manoeuvring for position.

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Such a clear analysis as that given by Mr. Holland helps to make plain how the general United States attitude has moved over, in the case of East Asia, to the "Point Four" approach, the approach in terms of generalised "Technical Aid". The conception of such aid is also evolving rapidly, from envisaging the simple despatch of selected Asian students to America for education and apprenticeship, to giving practical assistance on the spot, using local talent as such as American advice. It is also evolving from its initial overemphasis on engineering as such, to recognise that administrative and practical training is necessary in many other fields.

Here Mr. Holland gives warning to Americans of the natural "economic attraction" between China and Japan, as partly complementary economies, and increasingly so in view of the requirements of Communist China. Recently, however, some time after he wrote, the Japanese Communist leaders who stressed this affinity of interests have been excommunicated by Moscow. It is the present writer's belief that Russian policy, intent on perpetuating division and distress in Asia (in order possibly to seize power in further countries there, or failing this at least to deny the area to western capital) does not wish to see any settlement in East Asia, not even one effected by its new semi-colony China, and is overriding the latter's longing for peace, and a breathing-space for reconstruction, urging the Chinese Communists to press on the revolution to the south-eastward.

Mr. Holland goes on to state the importance of South-East Asia, both in its relation to the situation in China, and as an area which depends greatly on its substantial relations with the wider world economy, including Europe as well as America. Here he gives due stress, for the American audience, on the fact (so obvious to other peoples) that America must import more, from

In 1949 Britain's main export group was again "vehicles" which covers all forms of transport equipment such as motor cars, ships, airliners, railway engines and even bicycles and perambulators. Next came the stationary forms of machinery. Changes compared with pre-war are shown in the following tables:—

Britain's Main Exports		
	Percent of total value 1938	1949
	%	%
Vehicles (including locomotives, ships and aircraft) .....	9.6	17.6
Machinery .....	12.2	15.6
Cotton yarns and manufactures .....	10.6	8.9
Iron and steel and manufactures .....	8.9	7.1
Woolen and worsted yarns and manufactures .....	5.7	5.8
Chemicals, drugs, dyes and colours .....	4.7	4.8
Electrical goods and apparatus .....	2.9	4.4
Non-ferrous metals & manufactures .....	2.6	3.6
Coal .....	7.9	2.8
Pottery, glass, abrasives .....	2.0	2.7
Cutlery, hardware, implements & instruments .....	1.9	2.5
Silk and rayon yarns and manufactures .....	1.2	2.4

this and other parts of the world, failing which all other efforts at a world balance may be futile. His condensed but very comprehensive review stresses also the now enhanced importance of India, the variety of social and political implications in the whole area, without which a sole economic calculation is an abstraction, and many other points which cannot be detailed here. He concludes with a section subtitled "The Need for Far-sighted American Policy". It is difficult not to contrast this with the preceding article in the book under review (the one on Japan and Korea, discussed in last week's article in this series in the FAR EASTERN ECONOMIC REVIEW) which seems to illustrate with full candour how completely naive, politically unsuspecting and generally pragmatic, was American policy in the Far East in the first few years after the war. The consequent deficiencies seem to have been largely redeemed locally during a second period, of say the last two years, by the able and realistic work of Americans in some of these countries. Now there is hope that a widened, improved and more thoughtful American policy is taking shape, and that much is being learnt from experience.

This publication "Next Step in Asia" is certainly a clear and useful commentary on the whole question, and a creditable demonstration of the accurate information and good understanding of the school of American realism represented by its authors.

## The British Trade Situation in 1949

Among the chief changes compared with pre-war are the big increases in the share of such engineering groups as "vehicles", "machinery", and "electrical apparatus", and the declines in coal and cotton goods. Cotton and coal were however a somewhat bigger proportion in 1949 than in the previous year.

In 1949 roughly 50% of U.K. exports and re-exports went to other Sterling Area countries, some 25% to the other Marshall Plan countries of Western Europe and their overseas dependencies, roughly 10% to the dollar markets of North and Central America, and 15% to everywhere else. The proportions compared with 1938 as follows:—

Distribution of U.K. exports and re-exports		
	Percent of total value 1938	1949 (11 months)
	%	%
Sterling Area ...	41.7	51.1
Marshall Plan countries and their dependencies .....	27.5	24.3
Dollar Area ....	11.4	9.2
Rest of World ...	19.4	15.4
	100%	100%

Compared with 1938 there was a greater concentration of U.K. sales on the other Sterling Area countries, but it should be remembered that the volume of U.K. export in 1949 was about 50% greater than in 1938, and consequently other Marshall Plan countries of Western Europe and the dollar markets of North and Central America were on the whole buying a larger quantity of goods than pre-war.

With imports there have also been changes in favour of the other Sterling Area countries:—

Source of U.K. imports		
	Percent of total value 1938	1949 (11 months)
	%	%
Sterling Area ...	31.2	37.5
Marshall Plan countries and their overseas dependencies ..	24.6	24.0
Dollar Area ....	23.4	21.9
Rest of World ..	20.8	16.6
	100%	100%

Unlike exports, Britain's imports in 1949 were between 10% and 15% lower in volume than in 1938. Consequently while the actual quantity of her imports from the Sterling Area countries was probably somewhat higher, those from the other areas listed above were certainly lower.

In 1948, when the dollar prices of most raw materials and foodstuffs were relatively high and when U.S. industry was adding to its stocks, the dollar earnings of the rest of the Sterling Area (excluding South Africa which meets its own dollar needs independently) were over \$1,000 million.



## ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann, (Los-Angeles)

(Special to the Far Eastern Economic Review)

### Steel

The recovery from the autumn 46 days strike against the steel industry was rapid. Factories, during the first week of February, were working at 93.1% of capacity, but by middle of February they plan to show a 98% output.

Let us consider the recently published results of some of America's steel concerns. United States Steel Corporation increased its quarterly dividend to 65 cents a share, against formerly 50 cents. The Corporation's income for 1949 was \$165,958,800, the highest in 20 years. This represents \$5.39 a common share and compares with \$129,627,600, or \$4 a share for 1948. For the fourth quarter of the past year, in spite of the long strike. U.S. Steel earned \$32,735,000, equal to \$1.01 a share. During 1949 U.S. Steel worked at a capacity of 82.5%.

The second giant in the steel industry is Bethlehem Steel Co., whose net income for 1949 was \$99,283,500. This equals \$9.68 a common share and compares with a previous high mark of \$90,347,500, or \$9.36 for 1948. The usual quarterly dividend of 60 cents per share was ordered. During the last quarter of 1949, due to the crippling strike, Bethlehem's output fell to 60.6% of capacity. The company's newly rated annual capacity is now 15,000,000 tons.

Once we are discussing the subject, let us add a few more of this country's steel companies' doings: Armco Steel Corporation's earnings for 1949 are estimated at about 30,000,000 dollars, or \$7.50 a share, versus \$32,000,000, or \$8 a share for 1948.

Another company, whose profits declined in 1949, was Jones Laughlin Steel Corporation, whose net earnings were \$20,961,000, compared with \$31,222,000 for the previous year. This means \$7.50 per share for 1949, compared with \$12.01 for 1948. The quarterly dividend recently announced was 65 cents per share.

The National Steel Corporation announced preliminary figures for 1949, citing a net profit of \$39,311,000, equal to \$16.02 a share, against \$40,121,000 for 1948, representing \$18.35 a share.

Another large steel factory, Youngstown Sheet and Tube Co., in its preliminary report for 1949, indicates

\$31,777,000 net profit for 1949, equal to \$18.97 a share, compared with a net income of \$35,711,000, or \$21.32 a share, for 1948.

The Republic Steel Corporation announces a net profit of \$46,142,000 for 1949, equalling \$7.35 a share, against \$46,438,000, or \$7.61 for 1948.

### American Railways

In years past railroad executives became millionaires in this country. Then followed periods when railroading was not profitable, a fact shown by the inability of many railway companies to meet interest on debentures outstanding. This denotes that de facto these railroads were bankrupt. After world war II all public carriers applied for sanction of higher tariffs, both for freight, as well as passengers and mail. Such increases were repeatedly granted, with the result that railroad shares once more became fashionable.

However, as far as I can see, there is little cause for optimism. Aside from the huge competition, to wit: airplanes, busses and trucks, the railroads are very vulnerable. Every strike is hitting their sources of income. And there are plenty and incessant strikes in America nowadays. A steel, or an automobile, strike leaves visible scars on the rentability of a railroad system; but a coal strike is much more threatening to the revenues of all railways. Full and partial coal strikes have been the order of the day during the past six months and have become aggravated. The railways are not only barred from carrying coal as freight, but some of the lines might soon be without fuel.

In order to illustrate the veracity of my views, it is thought wise to quote here U.S. railway results, not specially selected, but as they have published last year's results:

Name of railroad Co.	Profits 1949	Profits 1948	Per share 1949	Per share 1948
Atchison, Topeka & Santa Fe Railway ....	\$ 50,042,000	\$ 62,843,000	\$ 20.61	\$ 23.33
Chicago, Rock Island & Pacific Railway ....	17,383,000	18,036,000	9.83	10.29
New York, Chicago & St. Louis Railway ....	12,474,000	15,353,000	34.59	42.58
Southern Railway .....	11,814,000	19,248,000	6.78	12.51
Colorado & Southern Rly .....	870,000	776,000		
Union Pacific Railroad .....	49,694,000	67,454,000	10.28	14.27
Baltimore & Ohio Railway .....	6,869,000	22,158,000		
Pennsylvania Railroad Co. ....	12,474,000	34,430,000	0.95	1.55
Minneapolis & St. Louis Railway Co. ....	1,305,000	2,216,000	2.17	3.69
Chicago & Northwest. Rly .....	7,000	6,817,000	0.01	2.75
Denver & Rio Grande Rly .....	3,854,000	7,011,000	6.33	15.31
Louisville & Nashville Rly .....	8,216,000	16,398,000	3.51	7.91
Northern Pacific Rly .....	9,734,000	12,312,000	3.92	4.96
Illinois Central Railway .....	16,071,000	20,949,000	11.01	14.60

Currently however earnings have been at the rate of about \$800 million a year. This compares with dollar expenditure by the rest of the Sterling Area in the year ending June 1949 at over \$1,000 million.

Before the war in the years 1934 to 1938 the dollar spending of these other sterling countries' averaged only \$250 million a year. This increase in dollar spending is one of the major factors turning the pre-war dollar surplus of the rest of the Sterling Area into the current deficit.

The data just quoted has been accumulated by myself during the past fortnight, just as it was published by the railroad concerns. It is neither a selected list, nor is it a copy from a financial journal. Unquestionably it shows that railway earnings have declined last year to an alarming degree. It is a known fact that freight cars are in need of repairs. The Pennsylvania Railroad Company, for instance, has set up a reserve of \$8,000,000 to be applied during the first four months of 1950 for freight car repairs.

### The Hydrogen Bomb.

The news that America is about to assemble the H-bomb is more or less official. It required very careful weighing to arrive at the final decision, and seemingly the responsible authorities of this country are finding sympathetic understanding amongst the people.

In dealing with the technical aspects of the problem William S. Barton gives some popular explanations in a well-written article published by the Los Angeles Times. In the beginning of February the Atomic Energy Commission's West Coast Scientific Conference was held at Los Angeles UCLA physics building by experts from all parts of the country.

Dr. A. Ronzio, chemist at the bomb factory at Los Alamos, explained that tritium, or Hydrogen 3, which some people believe will be the explosive in the "sun bomb", has been isolated. Tritium, he explained, breaks up very fast, a fact which makes it difficult to study its behavior. Its explosive energy would be liberated when the substance is converted into helium. Liquid air traps and dozens of other chemical tools are required. One difference between uranium and plutonium bombs is that, while supplies of uranium are relatively limited, the only limitation to supplies of tritium is the prodigious laboratory work involved. To express it differently, raw material for the uranium bomb is found in nature, but tritium must be synthesized in the laboratory from hydrogen. Heavy water (deuterium) and tritium are related inasmuch as the former is Hydrogen 2, and the latter Hydrogen 3, both being very rare forms of the common element.

Synthesized tritium can scarcely be called a secret. There is supposed to be no danger from premature explosion, because such a reaction would require heat and pressures which on

earth can only be supplied by plutonium bombs. Mechanisms involved in the study of tritium and other isotopes are so amazingly delicate that they will detect the presence of as little as a millionth of a milligram of rare forms of a single element.

Dr. Ronzio told of a device, the "Breakoffsky", which name, he added jocularly, might have been loaned from the Russians. It permits the sealing of a glass tube containing a minute sample.



William M. Laurence, New York Times correspondent, published another article on this epochal invention. Says he: The triton bomb would release energy per given weight more than seven times the nuclear energy released in the fission (splitting) of uranium 235, or plutonium, the two elements now used in the standard atomic bombs. One kilogram of tritium would release a total explosive force, equal to that of 140,000 tons of TNT.

The size and power of the present A-bomb (uranium 235, or plutonium) is limited; but it would be theoretically possible to make the triton bomb 1000 times the explosive power of the atomic bomb. Such a bomb would need no more than 143 kilograms of tritons, which would yield the explosive energy of 20,000,000 tons of TNT. However, it would be a mistake to assume that such a bomb would devastate an area 1,000 times that of Hiroshima. It would only be effective over an area of 300 to 400 square miles and would thus possess 30 or 40 times the power of the Nagasaki-model atomic bomb which could destroy about 10 square miles. While this is theoretically possible, scientists agree that such a weapon is at present beyond the realm of realization. The limit of feasibility is now regarded as being no greater than 10 times the power of the present bombs.

The greatest obstacle standing in the way of production is the scarcity of tritium. It exists as part of water in very minute amounts. However, tritium is being produced synthetically in Chicago and is being distributed to scientists for studies in nuclear structure. However, quantities are still very small.

#### Hot potatoes

Mention has repeatedly been made in the columns of this journal of the tragic-comic consequences of existing laws subsidizing farmers and their products. Once again a flagrant case has presented itself, causing much comment and ridicule.

On January 31 it was cabled from Washington that the Government was about to throw away 50 million bushels of potatoes, which it had acquired under the farm price support program. That lot cost the authorities \$1.25 a bushel, so that—inclusive of handling charges—the Government stands to lose \$80 millions to 100 millions on last year's spud crop. By way of consolation it might be inserted here that it lost over \$250 million on the 1948 potato crop. The Agricultural Department has been trying hard to give away the potatoes to school lunches, to local and overseas relief agencies, and diverting them to feeding livestock and to the manufacture of alcohol and starch. Even so, the stock left over was 50,000 bushels.

The United States purchased these potatoes at \$2.10 a hundred pounds. They represent potatoes which the farmers could not sell to anybody. The Government declared its readiness to sell these stocks to anybody who will promise not to eat them, or to export them to Canada. The price will be 1

The diversity of Asian nations and the differences dividing them are as great as on any other continent, yet the inter-relationships are even more striking. Whether one looks at the cultural patterns of the past or at the threatening dangers of the present, the destinies of the billion inhabitants of Asia and the Far East are closely intertwined. Korea is a case in point.

Although known for over 300 years as 'The Hermit Kingdom', Korea both historically and in the present supplies an excellent illustration of the interdependence of the peoples of Asia and the Far East, as well as of the ties uniting, and sometimes chafing, the Eastern and Western hemispheres.

Korea's hermitage developed late in its 4,283-year-old history. For centuries it was a North Asian incubator of Chinese and Indian culture, known to the Celestial Kingdom as 'The Land of Scholars and Gentlemen.' Peopled by a distinctive proto-historic fusion of North Asian and Caucasian races, the Korean peninsula, surrounded by the sea on three sides and topped by the lofty Everwhite Mountains, is historically both a connecting bridge and a catalyst of varied Asian cultures. It received Indian Buddhism and Chinese Confucianism, adopted both to its own circumstances, and passed them on to Japan. Combining a ruggedly independent spirit with a taste for art and a respect for individuality, Koreans received, developed, and propagated

cent per 100 pounds, plus freight. The authorities will throw in gratis a burlap sack which costs 17 cents.

But, says Secretary of Agriculture Brannan, nobody wants the potatoes, not even for one cent per bushel. Distillers will only accept them, if the cargo is being delivered free to their factory doors. Schools, starch manufacturers and cattle feeders say they have all the potatoes they can possible consume. Secretary Brannan proposed to let the potatoes lie and rot where they are now and write off the loss of \$100 millions.

Finally a way out was found of the dilemma. The potatoes which cost the authorities 2 cents a pound (60 pounds make up one bushel), now are selling at 1 cent for 100 pounds to farmers. These latter are at liberty to use the stock for manure, or cattle feed, after they have been dyed, so as to prevent their use for human consumption.

And what has been done by way of prevention? The Department of Agriculture announces that it is slashing price supports on the 1950 crop to \$1.01 a bushel, which means 9 cents lower than the previous level. Naturally many Senators have been aroused by the seriousness of the situation. Secretary Brannan has to pocket a number of uncomplimentary remarks; some law-makers demand outright abolition of the support of potato farmers.

## Korea's Past and the Challenge of the Present

By Robert T. Oliver

significant elements of the broad cultural-philosophical character that stamps the varied peoples of the Orient. It is both creature and creator of the Asian mind of the past, just as it is both victim and key opponent of the crushing external pressures of the more recent periods of flux.

Charles Eaton has said that the post World War II global conflict can best be understood by a study of conditions in Korea. With some justice it may more broadly be asserted that in the history of Korea is a relatively simple key to the vastly complicated panorama of recorded Oriental civilization. In so brief a paper as this must be, only elemental strands of the Korean role can be pointed out. Students of the Far East, however, will be rewarded as they continue the study through all its many ramifications.

Although Koreans date the origin of their nation to the supposed advent of Dan-goon 4,283 years ago, the structure of their society is believed to have developed from the scantily-recorded flight to northern Korea of the Chinese noble, Ki-ja, Counsellor to the last of the Shang Emperors. When the Chou dynasty seized power in 1122 B C, Ki-ja is thought to have fled to the sanctuary of the Everwhite Mountains, together with a following of 5,000 poets, musicians, traders, and doctors, there to promulgate the 'Eight Laws' of right relationships and to found the kingdom of Chao-hsien. Thus reportedly commenced the influx of Chinese culture which the Korean people adapted as the basis of their own homogeneous civilization.

The earliest detailed historic records of undoubted authenticity tell of the Chinese refugees who came to Chinnan about 255 B C, at the time of the building of the Great Wall. Subsequently flourished the great period of Silla civilization, lasting for a thousand years, the Koryu Era, and the 418-year reign of the Yi Dynasty which was forced to surrender the nation to Japan.

Culturally, Korea fits into the general patterns found elsewhere in North Asia, and has made its own share of significant contributions. Andreas Eckhardt, author of *A History of Korean art*, felt it 'no exaggeration to aver that Korea is responsible for the production of by far the most beautiful, or rather, the most classical works of art in the Far East.' W. B. Honey, Keeper of the Department of Ceramics of Victoria and Albert Museum, London, thought the Korean ceramics of the Koryu period 'unsurpassed for beauty of form. They have,' he explained, 'an easeful serenity and grace, flowing and seemingly effortless, yet never lapsing into facility or trivial pettiness. Like the Korean people, even today, they have strength and dignity, as well as great charm.' In the furtherance of educa-



tion, the systematization of learning in encyclopaedic form, and early development of paper, printing, astronomy, naval craftsmanship, and meteorology, Korea was among the foremost nations in the Orient and in the world. Of chief significance, however, is the close inter-relationship of Korean progress with that of the rest of Asia.

The most signal respect in which Korea deviated from the course of its neighbours was in the adoption of a 26-letter phonetic alphabet, during the reign of King Sei-pong, early in the Yi Dynasty. Contrasting sharply with the ideographs of China and Japan, Korea's simple alphabet made literacy and learning available to the entire population. Showing affinity to both the Turanian and Dravidian language groups, Korean borrows from the Chinese written vocabulary and has a grammatic structure somewhat similar to that of Japan. But in no other instance is there so sharp a distinction between Korea and its neighbours as in its development of a simple phonetic alphabet.

In social patterns, the distinctions between Korea and the rest of North Asia are relative. Women, for instance, have traditionally had far more freedom in Korea than in China or Japan. Korean religions have resembled those of its neighbours, except that Korea firmly resisted Japanese Shintoism and was lukewarm to Chinese Taoism. Christianity has made more rapid progress in Korea than in any other part of Asia. As elsewhere in Asia, drama and the dance are highly cultivated. In its literature, the predominant themes are the Cinderella motif, family loyalty, romantic love, and the rewards won by common sense and generosity. A profusion of Korean proverbs stress the same thriftiness and industry as do those of America's Poor Richard.

Politically Koreans have enjoyed a homogeneity and unity denied to the more diverse and wide-spread Chinese, and have developed a rugged individuality never achieved by the Japanese. The general stability of Korean society is sufficiently illustrated by the length of its successive dynasties. In spite of the historic absolutism of the monarchy, the actual rule of Korea has been local in nature, with provincial governors always subject to recall upon petition by the people. Within local communities, an extensive guild system has operated cooperatively, thus developing neighbourliness as a primary virtue.

Any brief survey of Korean history must stress the role of Korea as a bridge over which continental civilization was carried to Japan. In reverse, Korea had also served as a barrier to prevent Japanese conquest of Asia. For hundreds of years Koreans fought off piratical and military forays, culminating in the seven-years war to beat back the large-scale onslaught of the great war-leader Hideyoshi (1592-97) who intended to proceed through Korea to attack China, India, and the Philippines, but who in fact

never was able to subdue the supposedly helpless Koreans. Korea's success was achieved through the genius of Admiral Yi Soon-sin, who invented and utilized the first iron-clad war vessels.

It was after the Hideyoshi invasion, in which Korea suffered a loss of millions of lives and the virtual destruction of its cultural development, that the Korean people sought security in a policy of isolationism so strict as to win for it the cognomen, 'Hermit Kingdom.' This isolationism was ended through treaties negotiated with Japan, the United States, and other Western nations late in the nineteenth century, just as the power struggle for control of northern Asia reached its climax.

The treaty with the United States (in 1882) set the pattern for the others. In return for ending its isolation, Korea received a general assurance of American 'good offices' in case of interference by any outside power. This Amity Clause in the treaty, however, proved inadequate to the tensions of the time. In 1894 Japan suddenly attacked China to force the country to withdraw its protection from Korea. In 1904-05 the Russo-Japanese War was fought to determine which nation would control the strategically invaluable Korean peninsula. As its fruits of victory, Japan was awarded a protectorate over Korea which was succeeded, in 1910, by outright annexation.

During the succeeding thirty-five years, Korea's development was forced into the abnormal pattern of being a pawn to Japanese commercial and military designs. Japan took from Korea its raw materials, and dumped on the Korean market its own cheap consumers goods. Japanese militarists built railways through Korea to connect with Manchuria and Siberia. By 1931 the route of conquest was sufficiently established to permit the onslaught upon Manchuria, followed six years later by the attack upon China. During this period the Koreans were utilized largely as labourers, with little opportunity for education or technological or professional advancement.

Nevertheless, the Korean people refused to surrender. Successive revolutionary movements led, in 1919, to the establishment of a Government-in-exile, that continued thereafter to function from China and the United States. Dr Syngman Rhee, as leader of this movement, warned repeatedly of the danger to both East and West of Japanese military ambitions and sought to secure redress for his people at the League of Nations and at Washington. The facts of Korea's ancient nationality and of its unremitting demand for independence were never permitted to fade from the consciousness of the world's statesmen.

The generation-long struggle for freedom won no overt support until the time of the Cairo Conference, in 1943, when Roosevelt, Churchill, and Chiang Kai-shek declared that, 'Mindful of the enslavement of the Korean people, Korea, shall, in due course, become free

and independent'. Russia subsequently subscribed to this war aim in the Potsdam Declaration. At long last the re-establishment of Korean freedom seemed assured.

However, as part of the arrangements by which Russia entered the war in the Pacific, an agreement was made by which Russian troops would receive the surrender of Japanese forces in northern Korea, and Americans would accept the surrender in the south. The 38th parallel was chosen as the dividing line. To the north lay 56 per cent of the area; ten million of the population, and most of the hydro-electric resources. South of the line lay the agricultural and light industries area, with a population of twenty millions. If the line had been deliberately drawn with the intent of ruining the Korean economy, it could not have had worse effects.

So far as the United States was concerned, the line was intended to be purely temporary. However, within a few months after Japan's surrender it became evident that the Soviet Union intended to consolidate its position in north Korea and to hold that area. A very solid 'iron curtain' was dropped along the 38th parallel and the only exchange permitted across it were electric power and heavily censored mail. Successive Russian-American conferences through 1946 and 1947 failed to make any progress toward reunification of the country. Hence, in 1947 the United States presented the Korean question to the United Nations.

In Korea the division of the country and the rule by occupation forces came as a great shock, psychologically as well as politically and economically. A people who had struggled for a generation for freedom suddenly found themselves divided and occupied, with their future dependent upon two nations rapidly drifting into an antagonistic impasse and with nothing whatsoever that they themselves could do about it. The joyous 'Manse's!' with which they at first greeted Russian and American liberation troops soon turned into bitterest disillusionment and black despair. Conquest by Japan had been bad enough—but now they had not only foreign rule but also an impassable division of their 4,000-year old land. The effects were manifold.

Economically north and south Korea are completely complementary. The hydro-electric power and minerals of the north are needed for the light industries and homes of the south. The southern rice is required by the northerners. Separation of the two areas was as disastrous as would be a cutting off of the industrial north-eastern area of the United States from the agricultural Mississippi valley. However, other economic factors soon intensified the distress of the people.

In the America-occupied zone the land was depleted by the lack of fertiliser through the war years. The light industries had been keyed to the



war effort and required reconversion to peace-time production. But the American Military Government had no authority to make the necessary adjustments. Limited by Congressional directives to preventing "disease and unrest" it could only provide relief while the country slumped deeper into economic deterioration. Inflation mounted and consumers goods all but disappeared from the market. Just at the end of its regime, the American Occupation Command sought to leave a monument to American democracy by providing for the sale of all formerly Japanese-owned farm lands to the Korean tenants. Thus, at a stroke, over half of all farm tenancy in south Korea was ended. Fine as its long-range results will be, this measure had no immediate mitigating effects on the strained south Korean economy.

In Russian-occupied northern Korea a different course produced even more disastrous results. The Soviets suffered from no compunctions in assuming complete control over all phases of the economy. Thus, instead of sliding further into deterioration, the productive facilities have reportedly been improved. But their owners were indicted as 'traitors and pro-Japanese collaborators', and lost their farms, mines, and factories. The propertied class was thus dispossessed and those who could escape fled to south Korea, where they added over a million refugees to the three million total coming in from Japan, China, and Manchuria. Industrial facilities in the north, now owned and operated by the Communist state, have been geared in with Manchuria and Siberia, thus still further intensifying the dependent colonial trend established by Japan.

But bad as are the economic effects of the post-war division of Korea, the political and psychological influences may prove even more lasting and damaging. Under the divided rule, there was a tendency for both Soviets and Americans to woo articulate spokesmen whom they could develop into 'cooperative' leadership. This tendency was strongly opposed by nationalist Koreans, whose deepest ambition was to see their country restored to its own people. In this atmosphere, political animosities sharpened and political divisions were both multiplied and deepened. Even among undeviating nationalists, strong differences developed as to the proper means of seeking reunification and independence. And overshadowing all else lay a deep blanket of gloom, as the Koreans realized that however they might work and whatever they might dream the actual determination of their national fate lay out of their own hands. Cynicism, scepticism, defeatism, and despair became prevalent. 'Liberated' though they were from the hateful rule of the Japanese, many Koreans came to feel that they had been better off when they were enslaved but united. Almost the only leader among them who refused to despair was their long-time exiled patriarch Dr. Syngman Rhee. Naturally, it was to him they turned when a

half-chance for freedom came to them at last.

The General Assembly of the United Nations voted in November, 1947, that an election should be held in Korea for the purpose of establishing a government, after which all foreign occupation troops should be withdrawn. The Soviet Union and its satellites abstained from voting. When the UN Commission arrived in Korea in January, 1948, to prepare for the election, it was denied admittance to north Korea. Confronted by this 'negative attitude', the Korea Commission took the problem back to the Interim Committee of the United Nations in February, and was advised to hold the projected election 'in all parts of Korea accessible to it'. This election was held in south Korea on May 10, for the election of a National Assembly.

The Korean National Assembly adopted a Constitution for the Republic of Korea on July 12, and on July 20 elected Syngman Rhee as President of the Republic. On August 12 this Government was granted de facto recognition by the United States and China, and on August 15 was formally inaugurated. By the end of the year, all governmental responsibility was turned over to it by American occupation authorities. In the Paris session of the United Nations, the Republic of Korea was recognized as the only lawful government in Korea. Meanwhile, the Soviet Union declared that it was withdrawing its troops from the north, and recognized the 'people's Republic' of north Korea as the lawful government of the entire country.

The United Nations in December 1948, named a Korea Commission to return to the country to assist in its reunification and in the establishment of democratic representative government in all parts of the nation. Still, however, the northern regime refused it permission to cross the 38th parallel. Thus an impasse was reached which seemingly could only be broken by a settlement of the world-wide differences that kept the Soviet Union from cooperating in ending the 'cold war'. Meanwhile, Korea remains divided, the iron curtain shutting off north Korea remains; and the Republic of Korea is forced to proceed as well as it can to rebuild the shattered economy of its bifurcated southern half, while doing what can be done to regain the north.

\* \* \*

Comparing the situation in south Korea when I visited it in the spring of 1949 with what I found there in 1946, a metamorphosis has occurred. Most noteworthy is the change in the spirit of the people. Now at last the establishment of their own government has given them the opportunity to deal with their own problems. They no longer have to stand aside helpless as their country falls to pieces before their very eyes. The continued division of the nation is a problem they cannot solve unilaterally and the deficiencies of the past years cannot be made up out of the inadequate re-

sources of the south alone, but at least they are now free to do what can be done. And the progress already made deserves the Hollywoodian adjectives tremendous and magnificent.

Four days after the May 10 election, the Soviet Union compounded the troubles of the fledgling Republic by cutting off completely the flow of electric power from the north. Thus, at one blow, the electricity supply was cut by 80 per cent. Within a year, however, combined Korean-American efforts had supplied over 75 per cent of the deficiency, and as the second winter approaches the supply of electricity is almost restored to its former level. Under the Republic, the amount of coal mined has increased ten-fold; more trains are moving than ever before; textile manufacturing has been tripled; and agricultural production has reached an all-time high. An American aid program is providing the sinews for further progress, and American military supplies are helping to equip an army for the defence of the Republic. The first hard year is over and the future should see still more rapid economic and political progression.

Establishment of the Republic was thought in many quarters to be a desperate gamble. How could the Koreans, subjected to a menial level by the Japanese for a full generation, govern themselves? The fact is that they are doing so, and with an orderliness that confounds the doubters. The ancient root-strength of the Korean people has proved strong enough to meet even the desperate challenge of their present precarious situation.

Just how precarious their situation is can best be appreciated by spreading out a map of Asia and noting the advance of Communist forces all around them. As a little half-peninsula jutting out from a land mass that has gone red, how can the Republic of Korea hold out? Only a people subjected to similar danger can appreciate the temptation of the south Koreans to seek personal safety by joining the Communist camp. Some, even, among top Korean leaders favoured a coalition with the northern Communists as a necessary price to pay for reunification of their country. But, backed by a strongly nationalistic and anti-Communist population, President Syngman Rhee has slammed the door on surrender to the Communists and has thus far held the fort in south Korea as (in the words of ECA Director Paul Hoffman) 'a bastion of democracy in north Asia'.

As a significant element in the inter-related pattern of Asia and the Far East, Korea has played a worthy role through all its 4,000 years of history. Never, perhaps, unless it be at the time of the Hideyoshi invasion, has its responsibility and its service been of greater value to all the Orient than today. Events clearly show that the Communist flood-tide in Asia will not simply die down; it must be stopped. A line somewhere must be held. The Republic of Korea is striving to hold it, and in this struggle it feels itself



## Hongkong Public Works

The following report covers the activities of the Hongkong Government Public Works Department for the financial year ending 31st March, 1949.

In addition to a Headquarters comprising the Administrative and Accounts Offices, Town Planning Office and Valuation and Resumption Office, there are eight sub-departments viz.:—Architectural Buildings Ordinance, Crown Lands and Surveys, Drainage, Electrical & Mechanical (including Transport), Port Works, Roads and Water Works.

### (1) ARCHITECTURAL OFFICE

**Maintenance of Government Buildings:**—The normal recurrent maintenance programme was re-introduced at the beginning of the year, the aim being to repair and redecorate throughout every Government owned building once every four years. Buildings, other than quarters, will in addition be colour-washed once internally during the four years period. Maintenance contracts for a period of twelve months were let in September. "Programme" work was carried out during the year at a large number of government and public buildings.

**Maintenance of Non-Government Buildings:**—In view of the limited funds available, expenditure was restricted to urgent essential repairs only.

**Alterations and Additions to Government Buildings:**—Commitments were high and supplementary funds were provided in order to complete essential work.

**Alterations and Additions to Non-Government Buildings:**—Owing to limited funds essential work only was carried out.

**Maintenance of Lighthouses:**—Lighthouses received their customary annual external painting and general minor repairs.

**Maintenance of Cemeteries:**—Repairs were carried out to buildings at four cemeteries.

**Minor Works:**—Sundry minor works were carried out to the G.P.O. Building and to various pillar boxes.

**Preliminary Investigations:**—Funds were used generally for site photographs, trial holes and test loads where funds for a specific project were not provided.

### Public Works Extraordinary

**Tai Po Market:**—Plans were prepared for a covered market of an area of 4,200 sq. ft. containing accommodation for 50 stalls for the sale of meat, fish and

vegetables. The construction consisted of brick walls, steel roof trusses and asbestos cement roof. Erection was completed.

**Extension of King George V School:**—Extensions consisted of the erection of a second storey to both the North and South wings of the school providing a total of six additional classrooms for 180 children. The work was carried out on the Maintenance Schedule.

**Hongkong Volunteer Defence Corps: Headquarters:**—Sketch plans for new Headquarters situated on the Beaconsfield Arcade site were prepared for the purpose of preliminary discussion.

**T.B. Sanatorium and Medical Officers' Quarters:**—Sites were selected in Kowloon Hospital grounds for Medical officers' quarters. The site for a hostel was also selected.

**T.B. Clinic Kowloon:**—A scheme was prepared for a temporary clinic sited at the entrance to Kowloon Hospital. In the middle of March the scheme was reviewed and a new scheme prepared incorporating additional accommodation of four consulting rooms, X-ray appliances, waiting space for 150 patients, treatment room, almoner's room, and the usual services.

**Sub-Post Offices:**—Sites were selected for the erection of Sub-Post Offices throughout the Colony.

**Caroline Hill Garage Store Rooms:**—An additional 7,700 sq. ft. of covered servicing area was added to Land Transport Depots.

**Cheung Sha Wan Market:**—Sketch plans were prepared for an open type of Market at Cheung Sha Wan containing accommodation for 20 stalls together with poultry cleaning room, caretakers' quarters and latrines.

**Disinfecting Station:**—A new covered garage was constructed in the Kowloon Disinfecting Station. Additional ablution facilities were provided at the Hongkong disinfecting station.

**Lethal Chamber for Animals:**—A lethal chamber was constructed at Kennedy Town.

**Ma Tau Kok Slaughterhouse Pig Lairages and Dog Kennels:**—A scheme for additional lairage accommodation was prepared.

**Offices and Quarters for Health Inspectors:**—Plans were prepared for Health Offices containing accommodation for Health Inspectors, counter for use by public, together with 2 storey offices for the Health Officers and Sanitary Inspectors. A laboratory, fireproof oil store, garages and quarters for caretakers were also provided.

**Public Latrines:**—Working drawings for a latrine and bath house at Gutzlaff Street were completed. Provision was made for future extensions consisting of a public laundry.

**Bathing Beach Pavilions:**—Working drawings proceeded in connection with a scheme of development at Repulse Bay for the provision of an administrative block, communal changing pavilion, and a building containing private cabins with showers.

**Furniture Workshop:**—A scheme was prepared for a two-storied furniture

workshop at Government Stores at North Point, and for which a contract was signed in January 1949.

**Kowloon Wholesale Vegetable Market:**—This market has a covered area of approximately 21,600 sq. ft. and offices for accountants and administrative staff.

### Rehabilitation Loan

**Leighton Hill Quarters:**—The work was completed during the year and both blocks of flats were occupied by the end of October, 1948.

**Peak Pavilions Quarters:**—The building was completed and occupied during February 1949.

**Queen's Gardens Quarters:**—By the end of the year all reinforced concrete work had been completed.

**King's Park Quarters:**—By the end of the year concrete work was completed up to first floor level.

**Kowloon City Police Station and Quarters; Bay View Police Station and Quarters; Hung Hom Police Station and Quarters; Shaokwan Police Station and Quarters; Police Block Houses, New Territories; Police Training School, Brickhill.**

**King's College; Vernacular Primary School (Gap Road); Kowloon Junior School.**

**Offices, Gardens Department:**—A scheme was prepared for new offices, library, and quarters for superintendent of gardens to be erected on a site at Seth's corner. The scheme provided for offices, library, herbarium and quarters for superintendent.

**Temporary Offices, P.W.D.:**—The site previously occupied by the old Architectural Office was cleared of building debris and a block of offices was erected thereon to accommodate the Port Works Office and Drainage Office. A building consisting of 2 storeys and a basement, was constructed of granite walling obtaining from demolished food godowns.

**Workshops and Garages, P.W.D.:**—A scheme was prepared for new P.W.D. Workshops and Garages to be erected on the Arsenal Yard Site. The scheme provided for mechanical and electrical workshops, storage space for electrical and mechanical equipment, offices, garages, greasing bay, paint shop and parking spaces.

**Restoration of Damaged Government Buildings:**—A very large programme of work was carried out to the full extent of available funds.

**Restoration of Damaged Non-Government Buildings:**—Work was kept to a minimum in view of shortage of tenure.

**Restoration of Lighthouses; and Clearance of Debris and Dangerous Structures.**

### (2) BUILDINGS ORDINANCE OFFICE

The number of buildings of all types erected by private enterprise showed a considerable increase over the previous year and as a result many new houses and flats of both European and Chinese types were made available. This new construction work was further augmented by the rehabilitation, alterations and/or additions to existing domestic

an ally with freedom-loving peoples in every part of the world.

Korea is facing the future today, as it has faced the past, with the consciousness that it is part and parcel of a larger civilization, and that it rises or falls as the balance sways for all humanity. Nationalistic as Koreans have proved themselves to be, the basic core of their thinking and feeling is also international. Their country has been divided by conflicting forces that reach into every part of the world. Their salvation must be sought in the general redemption of freedom for all mankind.



property. A corresponding increase continued with non-domestic premises such as churches, schools, theatres, godowns and factories,—among the latter being a number of very modern type spinning mills complete with air-conditioning.

During the previous fiscal year, ending March 1948, in all 3637 approvals concerning 6055 buildings were issued. They are analysed as follows:—

<b>Hongkong Island:—</b>	
2310 approvals concerning 3693 buildings made up as follows:—	
Demolition of damaged buildings . . . . .	21
Rehabilitation of damaged buildings . . . . .	393
Alterations and additions to existing buildings . . . . .	2572
New domestic buildings . . . . .	571
New Non-domestic buildings . . . . .	136
<b>Total . . . . .</b>	<b>3693</b>

<b>Kowloon and New Kowloon:—</b>	
1327 approvals concerning 2362 buildings.	
Demolition of damaged buildings . . . . .	3
Rehabilitation of damaged buildings . . . . .	160
Alterations and additions to existing buildings . . . . .	1515
New domestic buildings . . . . .	546
New Non-domestic buildings . . . . .	136
<b>Total . . . . .</b>	<b>2362</b>

During the fiscal year ending March 1949, 4,705 plans were approved in respect to 8,699 buildings of which details are as under:—

252 plans for 631 European Houses,	
360 " " 931 Chinese	
29 " " 29 Workshops and factories,	
53 " " 41 Godowns and stores,	
13 " " 15 Office buildings,	
4 " " 4 Churches and temples,	
3 " " 3 Theatres,	
77 " " 103 Temporary buildings,	
43 " " 49 Site plans,	
125 " " 207 Repairs,	
3,682 " " 5,585 Alterations & additions,	
6 " " 6 Schools,	
2 " " 2 Broadcast Relay Stations,	
1 " " 1 Gymnasium,	
1 " " 1 Nursing Home,	
3 " " 3 Hotels,	
35 " " 36 Minor non-domestic buildings,	
34 " " 52 Demolitions.	

Occupation certificates were issued in respect to 311 European type, 614 Chinese type and 130 non-domestic type buildings. Drain tests at various premises totalled 705.

### (3) CROWN LANDS & SURVEYS OFFICE

#### Crown Lands

Revenue:—The total amount of revenue billed, which includes \$242,424, collected by the District Commissioner New Territories, as compared with the previous year was:—

	1947/1948	1948/1949
Premia on land sales etc.	\$9,109,031	\$5,885,458
Boundary Stones and		
Survey Fees . . . . .	2,215	11,862
Permit Fees . . . . .	456,634	937,336
Plans sold to the public	4,520	2,899
<b>Total . . . . .</b>	<b>\$9,572,401</b>	<b>\$6,837,556</b>

A detailed comparison of premia derived from land sales, extensions and conversions with the figure of the previous year is as under:—

	1947/1948	1948/1949
(i) Sales by Auction		
Hongkong . . . . .	\$4,362,400	\$1,093,690
Kowloon . . . . .	430,600	50,000
New Kowloon . . . . .	3,477,600	1,705,460
New Territories . . . . .	14,729	119,468
(ii) Sales without Auction		
Hongkong . . . . .	390,860	1,568,790
Kowloon . . . . .	—	148,560
New Kowloon . . . . .	—	340,095
New Territories . . . . .	2,617	9,001
(iii) Extensions		
Hongkong . . . . .	80,109	298,154
Kowloon . . . . .	4,551	36,370
New Kowloon . . . . .	8,061	69,482
New Territories . . . . .	—	—
(iv) Conversion & Exchanges		
Hongkong . . . . .	331,560	143,718
Kowloon . . . . .	—	10,099
New Kowloon . . . . .	—	7,196
New Territories . . . . .	1,766	57,589
(v) Extension of Terms of Leases		
Hongkong . . . . .	4,178	57,577
Kowloon . . . . .	—	169,917
New Kowloon . . . . .	—	—
New Territories . . . . .	—	—
<b>Total . . . . .</b>	<b>\$9,109,031</b>	<b>\$5,885,458</b>

Permits:—Permits issued for the occupation of Crown Land for short periods were of a very miscellaneous character. In Hongkong, Kowloon and New Kowloon 1,033 new permits were issued whilst 383 were cancelled for various reasons, leaving a balance of 650 in force.

Drawing Office:—The number of plans prepared were 29 sets for land sales, 141 sets for leases, 2 sets for surrenders and 991 for miscellaneous purposes. Sunprints taken off numbered 10,470 whilst survey sheets traced numbered 13. Government departments were supplied with 298 survey sheets and 480 miscellaneous prints; 159 prints were supplied to the Public at a cost of \$2,899.50.

During July a "Photostat" reproduction outfit was installed since when 488 negatives and 456 prints were produced.

Two maps in colour, one covering Hongkong and New Territories, the other covering Hongkong-Canton-Macau district were produced for the Annual Administrative Report, and a new 8"—1 mile sheet covering Lye-mun to Ngan Tau Kok was prepared from the 200' to 1" sheets.

#### Surveys

Trigonometrical Surveys:—The main triangulation record of the 60 main stations was printed in book form. The reconstruction, amplification and re-cording of the lost minor triangulation was virtually completed by the triangulation and recording of 70 minor and 30 tertiary stations during the year, bringing the total number of these stations reconstructed and recorded since 1946 to 150.

The Geographical co-ordinates of 10 lighthouses were computed for the Director of Marine and a detailed list of 48 stations was supplied at the request of Military Headquarters Land Forces.

Inspections were made of 4 main stations and 46 minor stations, 7 minor beacons not visited but observed to exist, and 6 minor beacons.

Revenue Surveys and General:—On the Island and mainland general survey work was conducted.

In the New Territories a joint survey of the Anglo-Chinese Boundary at Sha Tau Kok was commenced in April to restore boundary stones. The final blue prints were signed by General Hsu Ching-tong and by the District Commissioner, New Territories, and were made available in December. San Wai Camp Extension Areas were pegged out for the Military authorities. The annual perambulation of the Anglo-Chinese Boundary and inspection of boundary marks was again undertaken.

The main features of general survey during the year comprised the survey of 24.4 acres with a chainage of 139,894 feet and the plotting of 1,686.1 acres for new work, the survey of 63.8 acres with a chainage of 112,793 feet and the plotting of 13,282 acres for revision, and the running of traverses to a total length of 116,598 feet. In addition, fourteen new survey sheets were taken up, three new sheets were completed and 107 acres of plan reduction was carried out.

Contour Surveys and Levelling:—Contour surveys covered 2,717 acres with a chainage of 222,297 feet. The principal levelling undertaken was in King's Road, Yig Kwan Avenue, 4 acres in Blue Pool Road district, Kimberley Road and Chatham Road district, Kowloon Reservoir, Shatin, Fanling and Kam Tsin. The yearly computation of mean sea level was also undertaken.

### (4) DRAINAGE OFFICE

#### Public Works Recurrent

Maintenance of Sewers and Storm Water Drains; Maintenance of Anti-Malarial Works; Typhoon and Rain-storm Damage; Works Executed on Private Account.

#### Public Works Extraordinary

Causeway Road Widening.

#### Rehabilitation Loan

Restoration of Anti-Malarial Works, Restoration of Sewers and Storm Water Drains; Clearing of Drains and Nullahs Restoration of Nullahs and Channels Construction of Storm Water Drain at Lai Chi Kok; Extension of Sewers and Storm Water Drains; Training Nullahs.

### (5) ELECTRICAL & MECHANICAL OFFICE

#### Electrical Section

Maintenance of Government Buildings; Maintenance of Non-Government Buildings; Alterations and Additions to Government Buildings; Alterations and Additions to Non-Government Buildings; Maintenance of Lifts; Maintenance of Plant; Maintenance of Sea Wall and Piers; Maintenance of Vehicular and Ferry Piers; Maintenance of Traffic and Street Signs; Replacement of Instruments and Workshop Machinery; Restoration of Typhoon Signal Masts.

#### Mechanical Section

Maintenance of Motor Vehicles; Maintenance of Workshops; Petrol, Oil and Lubricants Supply; Maintenance of Harbour Plant and Equipment; Maintenance of Quarries and Road Plant.

The amount of work handled in the Mechanical Workshop continued to in-



crease both in variety and quantity. Lack of suitable equipment and workshop space was still a retarding factor, but vehicle repair and servicing equipment ordered commenced to arrive. Certain extensions and alterations which were carried out to the existing buildings led to a more efficient utilization of workshop covered accommodation.

As in previous years much work of a varied and diverse nature, apart from the normal electrical installations in buildings and maintenance of vehicles was carried out for other Offices and Departments, ranging from the repair and maintenance of cinema projectors for the Education Department to the fabrication by electric welding and the erection of floating boring rigs for the Port Works Office.

The delay in delivery of numerous stock indents for spares for vehicles and mechanical plant coupled with the rapidly ageing state of the majority of the vehicles and plant, necessitated an increasing amount of manufacturing work having to be carried out in the workshop. No new machine tools ordered from the United Kingdom arrived but a number of old second hand lathes and other machine tools obtained from the Japanese reparation shipments were reconditioned and placed in service to cope with the heavy demands for this type of work.

Further progress was made in combining the functions of the former Electrical Office and Transport Office in order to reduce as much as possible the overlapping of duties. The problem was not completely overcome due to lack of a combined office, workshops and stores.

On the experimental side, a metalising plant was installed for the purpose of protecting steel work against corrosion.

On the 31st March, 1949 the number of Government-operated vehicles totalled 217 cars, 406 lorries and 105 motor cycles. A pool of vehicles and drivers was maintained from which requests served amounted to thirteen cars and seventeen lorries daily. Applicants tested for posts as Government drivers numbered 295 out of which 176 passed and were engaged.

#### (6) PORT WORKS OFFICE

A concentrated effort was made to complete the long programme of urgently required work to arrest deterioration of structures, and success was achieved with the aid of additional plant which came to hand. In other cases where lack of maintenance had resulted in such deterioration as to make repairs uneconomical, structures were demolished making room for new development. With increased staff, rehabilitation was pushed ahead and numerous new works were initiated with considerable time and effort devoted to planning. This applied particularly to reclamations. With the assumption on 16th November of full responsibility for the runways of Kai Tak Airport transferred from the R.A.F. to Government, the work of the office was considerably increased.

#### Public Works Recurrent

Maintenance of Sea Walls and Piers; Maintenance of Harbour Plant and Equipment; Dredging; Foreshore Dumping.

#### Public Works Extraordinary

Building of Fisheries Pier; Nightsoil Disposal Station; Causeway Road Widening; Bathing Rafts Construction.

Reclamations at Aberdeen; North Point; Hung Hom Reclamation (Exploratory work involving the sinking of marine borings on the line of the proposed sea wall was carried out in connection with an 81 acre reclamation scheme at Hung Hom. With the two-fold purpose of providing over 1 million cubic yards of spoil and at the same time making available some 15 acres for residential buildings, twin hills bounded by Chatham Road, Wuhu Street and Ma Tau Wei Road were surveyed and test drilled. Over 145 bores, or an aggregate of 6,128 lin. ft. was drilled over a period of 12 months). Kun Tong and North Point: (A negotiated contract with the Netherlands Harbour Works Company for the dredging and construction of a total of 3,800 lin. ft. of sea wall foundations at North Point and Kun Tong, and for the dredging for foundations and invert of 1,500 lin. ft. of a 100 ft. wide nullah at Kun Tong was signed on 8th January, 1949. By the end of the year some 70,000 cu. yds. had been dredged).

#### Rehabilitation Loan

Kai Tak Airport:—At the Airport, the volume of air traffic steadily increased as did the weight of planes using the runways which had been built to accommodate light weight planes only. After assuming responsibility for the runways, 6,500 sq. yds. of concrete slab had been reconstructed up to the end of March, while a contract for the reconstruction of a further 30,000 sq. yds. was prepared. Hardstandings were completed, administration buildings were completed and an annexe to the Terminal Building together with a small building for conveniences were built. A contract for a perimeter fence was let. Reconstruction of the deck of No. 3 Nullah running under the field was completed.

#### (7) ROADS & TUNNELS OFFICE

##### Public Works Recurrent

Maintenance of Roads and Bridges; Maintenance of Approach Roads and Paths to Government Buildings; Maintenance of Quarries and Road Plant; Maintenance of Footpaths and Drainage Connections; Maintenance of Traffic and Street Signs; Maintenance of Government A.R.P. Tunnels.

Street Lighting:—The number of lamps illuminated by the end of the year compared with the previous year is:

	Electric		Gas	
	1947/48	1948/49	1947/48	1948/49
Hongkong ...	696	913	321	548
Kowloon ...	1,098	1,123	174	174
New Territories	88	100	Nil.	Nil.

Maintenance of Dumps; Typhoon and Rainstorm Damage Repairs.

#### Public Works Extraordinary

Works Contingent on Land Sales:—Good progress was made with arrears of work in making up roads and footpaths outside new and rehabilitated buildings, but the rate of construction of these buildings was such that the funds provided in the Estimates were insufficient to carry out all works by the time they were completed. Causeway Road Widening:—Work was commenced about mid-August and both tram tracks and the northern half of the road were constructed to the new lines and levels.

Access to Queen's Garden Flats; Removal of Queen Victoria Memorial, Statue Square.

#### Rehabilitation Loan

Approach Road to Leighton Hill Quarters; Approach Road to King's Park Quarters; Constructions at Police Training School, Aberdeen; Clearance of Debris and Dangerous Structures; Special Works.

The following are the approximate measurements of roadwork carried out during the year:—

	square yards
Tarpainting .....	126,340
Tarmacadam .....	101,665
Tartops .....	307,327
Drymacadam .....	166,277
Concrete surfacing .....	70,630
Granolithic paving .....	49,534

#### (8) TOWN PLANNING OFFICE

The working of this office comprised the general supervision in cooperation with the Superintendent of Crown Lands and the District Commissioner New Territories, of development throughout the whole of the Colony together with the preparation of several large development schemes, a number of which had reached the stage for approval by the end of the year.

On the Island, while most of the work consisted of supervising private development and rebuilding, replanning of bombed areas at Bridges Street and road improvements at Shaukiwan and Garden Road were undertaken. A model of the Central Reclamation was also put in hand.

On the Mainland, layouts for Tai Kok Tsui, Kun Tong Reclamation, Hung Hom Reclamation, Kowloon Tong housing area, Tsun Wan industrial area, San Hui Village and Yuen Long Village were prepared as well as improvement plans for the Ma Tau Wei and Kowloon City Road junction. Full co-operation was accorded private architects who had submitted layouts of housing schemes at Kowloon Tsai, Mission Road and Jardines Lookout and for the new market town at Luen Wo-Fening.

#### (9) VALUATION AND RESUMPTION OFFICE

During the course of the financial year valuations in respect of 1,682 hereditaments, with a total estimated value of \$142,796,595 were made for the purpose of street widenings, development under town planning schemes, purchase and sale of property by Government, renewal of 75 year Crown Leases, estate duty, exchange and sundry other purposes. Of the total num-



ber of valuations, 997 were for other Government departments.

Resumptions for which compensation was made were in respect to sixteen properties for road widening and town planning schemes and for twenty four properties under the Airfield (Kai Tak) Extension & Reversion Ordinance, 1948, the compensation amounting to \$32,800 and \$439,682 respectively. In addition compensation amounting to \$2,250 for twelve resumptions for minor road improvements, and \$100,000 for the resumption of Q.B. Piggeries property was paid after negotiation by the District Commissioner New Territories.

#### (10) WATER WORKS OFFICE

The Water Works continued to be administered on a non-profit making basis, the cost of operation, including funding and interest charges on loans and contribution to Renewals and Improvement Fund, being balanced by revenue from the sale of water.

The total consumption of water supplied from the Water Works, excluding New Territory Villages, was about 11,160 million gallons or a daily average of 30.57 million gallons. This was 3.13% less than in 1947/48. Owing to shortage of resources, restricted hours of supply were imposed from 1st April to 12th June, 1948 and from 1st December, 1948 to 31st March, 1949.

Distribution problems increased during the year due to the limitations imposed by inadequate filtration capacity and by the small size and age of many of the distribution mains. To combat these problems an extensive mainlaying programme and the construction of the new Eastern Rapid Gravity Filtration Scheme referred to later in this report was put in hand.

The purity of the water was maintained at a high standard, the majority of samples tested shewing B. Coli absent in 100 c.c.

In connection with the Tai Lam Chung Valley Scheme the Consulting Engineers agreed to the "waterfall" site for the main dam. Survey work at the dam site and on the line of the 48" main to Kowloon was continued, and sites were reserved for service reservoirs and pumping stations.

**Pumping Raw Water:**—During the year 1,965 million gallons of raw water were pumped out of a total consumption of about 11,160 million gallons. At Tytam Tuk Pumping Station serious deterioration had taken place in the boilers which were consequently operated at reduced steam pressure and reduced pumping capacity.

**Filtration and Treatment:**—Some 11,147 million gallons of water were filtered at eleven filtration plants. During the year samples of water were examined regularly by the Government Pathologist and by the Government Chemist.

**Pumping Filtered Water:**—A total of 900 million gallons of filtered water were pumped out of the total consumption of about 11,160 million gallons.

**Distribution:**—The total quantity of water consumed during the year was 6,550.16 million gallons on the Island and 4,609.49 million gallons on the

## Hongkong Industrial Reports

### Factory Registrations

During the month of January 1950, 56 applications for registration were received from factories and workshops, i.e., 20 on the Island and 30 in Kowloon and the New Territories; 16 registration certificates were cancelled (5 and 11); 2 applications were refused, both in Kowloon; and 41 registration certificates were issued (18 and 23). Recorded and registered factories and workshops closed in January, according to figures issued by the H.K. Labour Dept., numbered 12 (4 on the Island and 8 in Kowloon & N.T.); these comprised 1 soap, 1 flashlight and 1 salt factory on the Island, 2 metal works, 1 printing works and 1 each flat iron and ice factory in Kowloon, and 4 weaving mills (1 on the Island and 3 in Kowloon & N.T.). Factories and workshops recorded and registered in January were 35 (22 and 13), employing 418 men and 316 women. Details are given below:—

	M.	W.
8 Printing (H.K.)	73	—
4 Engineering (2 HK, 2 K. & N.T.)	35	—
3 Tin Can (2 and 1)	33	40
2 Weaving (Cotton) (1 & 1)	42	146
2 Torchcs (K.)	21	75
2 Knitting (K.)	33	25
2 Canned Goods (1 and 1)	32	4
2 Bean Curd (H.K.)	16	1
3 Flour & Rice Mills (1 and 2)	24	—
1 Newspapers (H.K.)	46	—
1 Confectionery & Candies (H.K.)	14	22

Mainland (excluding New Territory Villages), a grand total of 11,159.65 million gallons. Included in the Island consumption are 2,576.89 million gallons supplied from the Mainland which is 39.4% of the total Island consumption. The total consumption is 360.40 million gallons (or 3.13%) less than in the previous year. Assuming that a population of 1,550,000 was supplied, the average consumption of water per head per day for all purposes was about 20 gallons. A full supply was thus maintained for 173 days compared with 288 days in 1947/48.

**Maintenance of Water Meters:**—At the end of the year there were 15,611 meters in use on the Island and 12,418 on the Mainland. The number of meters repaired and tested was 16,040 on the Island, and 7,778 on the Mainland. Of these 7,229 on the Island and 1,855 on the Mainland were repaired on site without removal, the remainder being repaired in the Workshops. Eight meters on the Island and eight on the Mainland were tested under Regulation 7 of the Water Works Ordinance, 73 on the Island and 3 on the Mainland were found to be unfit for further service and 19—¾" Kent M2 meters were assembled from available parts and from bodies which were found, presumably having been discarded during the Japanese occupation.

	M.	W.
1 Electro Plating (K.)	11	—
1 Mirrors (K.)	11	—
1 Mantles (H.K.)	11	—
1 Paper Boxes (H.K.)	7	3
1 Laundry (H.K.)	9	—
	418	316

As at January 31, 1950, 1016 factories and workshops were registered (297 on the Island and 719 in Kowloon & N.T.), and 297 applications were under consideration (435 and 878).

### Industrial Accidents

In January 4 cases occurred of industrial accidents, involving 40 persons of which 20 were in registered and recorded factories and workshops, in these accidents 9 persons were injured by machinery (7 in registered factories) and 6 suffered from burns (5 in registered factories).

### Hongkong-made Shirts in Britain

Men's shirts manufactured in Hongkong have been placed on sale in the United Kingdom at 5/6d. each, these imports being permitted under Imperial Preference licence; about 700 dozen men's shirts and 300 dozen boys' shirts have been ordered from Hongkong. The low price quoted by the Hongkong manufacturers of around \$25 per dozen enabled them to obtain the order.

The delivery of 400,000 dozen cheap cotton shirts to Indonesian importers has now been completed. Although the order ran into a fairly large figure, the margin of profit was inconsiderable as prices had to be cut to the lowest possible margin in order to obtain the order.

### Rubber Shoes

The removal of the quota system in respect to the importation into Great Britain of Hongkong-made rubber shoes is welcome news to manufacturers. Under the quota system Hongkong's allocation was fixed at 1 million pairs yearly, which was a considerable drop from the amount of 13 million pairs which before the war had been despatched to the U.K. In view of the high cost of living in the Colony, which has sent up the cost of manufacture, it is not anticipated that this figure can now be reached, but it is hoped that future deliveries may reach the figure of at least 4 million pairs if costs can be reduced so as to make the rubber shoes competitive in the British market.

Great Britain, however, is not the only market open to Hongkong manufacturers. At the end of 1949 an order was received from the Chinese People's Govt. for over 1 million pairs of rubber shoes at the price of \$2.35 per pair ex-factory. The purchasers unfortunately have refused to take the goods on the score that they are not up to contract, but it is hoped that a settlement may be effected as a result of negotiation. However, rubber shoe



## Economic Developments in Shanghai & Tientsin

### SHANGHAI

For the period of January 24-31, 1950

Because rice remained in short supply, the official propaganda shifted its emphasis from the shortage factor to condemning speculators and idle capital as the cause for increased prices. In this connection the authorities brought increasing pressure on the populace to purchase victory bonds in an attempt to dry up possible sources of speculative capital. In addition, the press reported the reopening of several large factories whose closing had not been originally announced, thus indicating that many factories were in financial straits as a result of their heavy borrowing in November when interest rates were high.

**Banking and Finance:**—In the wake of the price increases, new currency notes up to denominations of PB\$10,000 were issued on January 26. (This marks the second time that the People's Bank increased the denomination of currency notes, the first having taken place early in September 1949). Interest rates were forced up slightly as

factories in Shanghai and elsewhere are endeavouring to resume operations, so that if the Hongkong product is to keep this market it will not only have to be low in price, but it will also have to be up to standard. In any event, it will probably be some time before the Shanghai, Tientsin, or Canton factories are able to cope with the demand in China.

Next to cotton piece goods, rubber shoes rank high in Hongkong's exports. During 1949, the value of rubber shoes exported under certificate of origin and Imperial preference licence amounted to \$13,398,970 out of a total for such exports of \$87,358,263 or 15.3%. In the month of January 1950 rubber shoes exported under Imperial preference licence were valued at \$1,972,990, which was a drop against the previous total of \$2,107,645 in December. The figures given below show the destinations for exports of rubber shoes under Imperial preference licences during January 1950, together with the monthly average for 1949:—

	Number of Pairs	Value \$
United Kingdom ....	851,586	1,752,674
Australia .....	6,071	15,164
British West Indies ..	31,577	90,506
British East Africa ..	1,920	2,540
British West Africa ..	8,688	19,285
Portuguese E. Africa ..	1,200	2,400
Egypt .....	1,920	3,991
Iraq .....	1,200	2,300
British N. Borneo ..	14,836	28,283
Syria .....	1,200	2,020
British Empire & Others .....	31,555	53,817
<b>Total .....</b>	<b>951,753</b>	<b>1,972,990</b>
<b>Monthly Average, 1949</b>	<b>522,869</b>	<b>1,116,581</b>

factories prepared to meet end of the month payroll needs. Two native banks were suspended for making illegal loans to speculators.

Foreign exchange rates were not revised until January 27, on which date the official US dollar rates were increased to PB\$22,500 for currency notes and to PB\$25,000 for commercial drafts. The respective rates for pound sterling were raised to 40,500 and to 61,600 while the Hongkong dollar note was revised upward to 2,700 and the TT rate to 3,850. The black market was inactive.

The parity deposit unit rate, after dropping to 4,521 on January 26, rose rapidly to a new high of 4,814 by January 30, and then fell to 4,786 on the following day. Shanghai now has the highest pardep of any mainland city. While the ratio of the pardep to the U.S. dollar improved over the previous week from 4.87 to 5.22, this was still far below the ratio of 7.05 attained at the close of 1949.

**Foreign Trade:**—**Floor Prices:** The East China Foreign Trade Control Bureau announced on January 30 a general list of floor prices for most export items, the first such list to appear since the former KMT Export-Import Board published floor prices on specified commodities in October 1948. Previously, the export price for tung oil had been announced and the Customs had been enforcing some floor prices on other commodities, but without formal announcement. Items that are not covered in the present list are to be subject to establishment by the Customs. It will be noted that bristles are no included as their export is a government monopoly.

All prices in the following list are in U.S. dollars, c. and f. New York unless otherwise stated:

Commodity	Unit	Floor Price
Tung Oil: (not including exporter's commission):		
c. and f. New York .....	lb.	\$ 0.24
c. and f. San Francisco ..	"	0.235
c. and f. United Kingdom and European ports		
long ton .....		£215
Weasel:		
90 percent .....	pc.	\$ 1.85
18-inch span .....	"	2.10
14-inch span .....	"	1.05
Sheep:		
5-4-1 .....	"	0.50
6-3-1 .....	"	0.60
Kid .....	"	0.50
Lamb:		
Tsining .....	"	1.70
Tanghsien, Peking .....	"	2.00
Goat:		
Szechwan .....	lb.	0.98
Hankow .....	"	0.825
Buffalo Hide, Shanghai ..	"	0.255
Feathers:		
Goose, Nanking, Wuhu, Shanghai, 15-17 percent	"	( 0.835 (Shanghai export) ( 0.765 (Tientsin export)
Duck, Nanking, Wuhu, Shanghai, 15-17 percent	"	( 0.515 (Shanghai export) ( 0.545 (Tientsin export)
Goose down, Nanking, Wuhu, Shanghai .....	"	( 2.80 (Shanghai export) ( 2.90 (Tientsin export)

Duck down, Nanking, Wuhu, Shanghai .....	"	( 2.40 (Shanghai export) ( 2.50 (Tientsin export)
Hog Casings, salted .....	pr.	0.48
Wool:		

Chekiang sheep wool (A) unwashed .....	lb.	0.35
Chekiang sheep wool (B) unwashed .....	"	0.39
Chekiang and Kiangsu goat wool, unwashed ..	"	0.17

Exports from East China for the second half of 1949 valued US\$9.3 million, led by shipments of tea valued at the equivalent of US\$2.2 million, or 23.6% of the total.

The China Tea Company, a government-controlled organisation, plans to export 11,000 short tons of black and green tea and 8,200 tons of brick tea in 1950.

The East China area is expected to export over a million weasel skins in the current year. Current stocks in Shanghai are reported as divided between a government-controlled company (100,000 skins) and a private company (200,000 skins).

Shipment of 5,000 metric tons of bean cakes for Hongkong is scheduled soon; the stockpile in Shanghai is reported as being well over 10,000 metric tons.

The Customs in Shanghai announced that an import duty of 100% is to be levied on sugar coming from non-Communist Chinese areas as well as from foreign countries. (Under the Customs Import Tariff of the Republic of China raw or refined sugar was subject to a duty of 100% ad valorem. In addition, imports of sugar were subject to a Commodity Tax of 25% ad valorem; this same rate was announced as being imposed by the Communist authorities.)

**Industry:**—It is reported that the dullness of business in Shanghai precludes the sale of finished products except to government-controlled organisations. Paper: Production goal for Shanghai paper manufacture in 1950 has been set at 60,000 tons. Shanghai has 74% of the Chinese mainland paper plants. Cotton: Approximately 9,200 tons of cotton arrived in Shanghai during January; at normal production levels, Shanghai's cotton mills would use over 35,000 tons. Salt: 1950 salt production plans call for an output of 1.3 million tons.

**Taxation:**—In the third period, business tax collections netted a total of PB\$45 billion which compares with totals of 14.5 billion collected in the second period and 7.6 in the first. The increases are the result of inflation, as collections in all three periods were substantially the same in commodity equivalent.

**Transportation:**—Daily direct train service between Shanghai and Canton is to begin on February 1.

**Commodities:**—The fact that two cotton yarn factories, several rice hongs, and other companies were penalized for speculative activities, makes it apparent that the authorities are ready to crack down on speculation rather than attempt to depress the market solely by dumping as has been the practice for some time. Rice ar-



rivals were again reported as falling off at the end of the month. Despite the fact that some commodity prices on the 30th were down from the previous

week, it was reported that prices averaged a 5% increase in that time. The following table compares the two preceding weeks:

Commodity	Unit	Jan. 23 PB\$	Jan. 30 PB\$	Change over prior week (percent)
Rice (1st grade)	172 lb.	294,000	285,000	- 3.07
Flour	49 lb. bag	80,000	80,000	—
Pork	Catty	6,800	6,200	- 8.83
Beef	do	5,300	5,200	- 1.89
Oil (soybean)	do	4,900	5,100	+ 0.04
Bricks (briquettes)	do	260	260	—
Cloth	40 yd. bolt	188,000	196,000	+ 0.04
Sugar	Catty	4,700	5,200	+ 0.11

(A catty is equal to 1.1023 pounds.)

## TIENTSIN

For the period of January 14-20, 1950

**Foreign Trade:**—In the period January 1-10, exports from Tientsin were valued at the equivalent of US\$819,018 and imports as amounting to the equivalent of US\$697,897. Of the exports, rugs occupied 13.95%; Chinese medicines, 8.77%; soya beans, 7.14%; furs and skins, 5.61%; vermicelli, 3.45%; and menthol crystals, 3.16%. Other export items comprised green beans, walnut meats, and goat hair. Imports were made up of the following: Rubber articles and materials, 10.85%; gunny gunny bags, 9.89%; metals and machine parts, 36.12%; and chemical products, 10.73%.

In the month of December, 54 ocean-going vessels carried a total of 24,341 tons of imports including 15,877 tons from Hongkong; and 25,079 tons of exports, which included 13,140 tons destined to Hongkong.

**Coastal Trade:**—Coastal trade in the first ten days of January totalled the equivalent of US\$126,707 in outward shipments which included: Vermicelli (16.37%); sulphate of ammonia (11.25%); beans (14.83%); medicines (8.76%); and dates (6.6%). Incoming shipments in the same period were valued at the equivalent of US\$153,281, including metals (39.68%), chemical products (4.57%); and rubber articles (6.81%).

The Navigation Administration announced that a total of 63 ships plied along the coasts in December carrying 6,930 tons of inbound cargo and 1,417 tons of outbound commodities.

**State Trading:**—Coal and Iron: It is reported that in the four-month period to November 1949, the public owned North China Iron and Coal Company brought 1.3 million tons of coal to the area.

**Banking and Finance:**—Foreign exchange transactions for the week ending January 14 totalled the equivalent of US\$1,837,149 which represents an increase of US\$726,000 over the previous week.

Official foreign exchange rates were revised upward on January 16 as follows: US dollar draft rate to PB\$25,000 and to 22,500 for currency notes; pound sterling instruments to PB\$70,000 and 46,667 for notes; Hongkong dollar TT rate to 3,816 and currency rate to 2,098.

**Industry:**—Rugs and Carpets: Rug factories in Tientsin in 1949 produced an aggregate of 5,942,467 square feet of hooked rugs, 255,628 square feet of woolen carpets, all with loans extended by local banks. Hooked rug production came near the 1948 figure while woolen carpets exceeded the 1948 output by 100%.

The North China Furs and Hides Company plans an output of 130,000 square feet of hooked rugs and 200,000 square feet of carpets for January 1950.

## TELECOMMUNICATIONS WITH CHINA

The following provisional regulations have been promulgated by the Shanghai International Telecommunication Administration:

1. To reduce the burdens of telegraphic cost, to promote normal foreign trade and to restrict illegal telegraph reports, the National Telecommunication Administration of the Ministry of Posts and Telegraphs has formulated pro-regulations regarding the use of international commercial code phrases in telegraphic messages received and sent.

2. International commercial codes are limited to those approved by the National Telecommunication Administration; the charges for such messages are to be made at the tariff for international telecommunication messages.

3. Approved code messages are limited to the word groups in such code books with the translations given therein: No word groups not found in the original code books nor words which, though found are not translated, will be allowed.

4. A single message is to contain only word groups in a single code book, or principal and supplementary of same code book, or word groups from a single code book plus plain language words. Messages including the names of commodities or trade marks are acceptable if proof of their meaning is furnished through production of relevant price lists, inventories, bills of lading, delivery orders or invoices.

5. When a code message is sent, apart from the inclusion on the despatch form of code words, whether the whole or a part of the message, in the usual way, a translation is to be made and added to the duplicate of the despatch form for reference. When a message is too long for a plain language translation to be added to the duplicate form, the translation is to be put on a separate sheet attached to the back of the form with a chop over the intersection of the two sheets. The name and edition of the code used are to be given at the top of the despatch form.

6. Incoming messages using phrase code for the whole or a part shall give the name and edition of the code used at the top of form.

7. When it is discovered in a message using a phrase code that the name of the code is not correct, or a private code is included therein, or words without translations in the code book are used, in addition to holding-up the despatch message, the sender will be debarred from facilities of the International Telecommunication Administration for three months. In case secret code words disclosed, the sender's personal reports the party involved is to be handed over to the Public Security authorities for attention.

8. When the Telecommunication Administration is in doubt over a code message, whether incoming or outgoing, the receiver or despatcher concerned may, at the request of the sender, present his code book to the Administration for investigation prior to the delivery or despatch of the message.

9. Senders or receivers of telecommunication messages who propose using phrase codes under the provisions of Article 2 of these regulations, in addition to the purpose of sending or receiving official messages, shall get from their local telecommunication office registration forms for registration with such office after the form has been filled in and guarantor obtained.

10. Registered senders and receivers of code messages shall communicate the provisions of Article 3 of these regulations to parties in constant telecommunication contact with them with the request that such parties observe such provisions strictly. When a message received from abroad is found to contain violations of Article 3 of these regulations, in addition to holding up message delivery, the addressee is to be notified for the first time by the Telecommunications Administration and asked to inform the sender to discontinue use of unauthorized code words. Following such notice, should the same sender be found addressing similar messages to the same addressee, in addition to non-delivery of the message, the provisions of Article 7 of these regulations, regarding the suspension of facilities for international messages, shall be applied to addressee.

11. These regulations will be strictly enforced as from February 20, 1950.

Five codes have been approved for telegrams sent or received from Shanghai, as follows: 1. Acme Commodity and Phrase Code, including Acme Supplement. 2. Peterson Intel Code, Third Edition. 3. Bentley's Complete Phrase Code. 4. Bentley's Second Phrase Code. 5. A.B.C. Telegraphic Code, Sixth Edition. Applicants for the registration of these codes will be accepted, beginning February 1.

## Economic Developments in Taiwan

The growing isolation of Taiwan from the mainland, was virtually completed during October 1949, when Amoy, Swatow, and Canton, the last major ports on the Chinese mainland, fell to the Chinese Communists. Taiwan thus became faced with the necessity of making far-reaching economic adjustments in the near future in order to remain on an even keel economically.

Symptoms of the difficulties inherent in making the economic adjustments now facing the island were seen in the

21.5 percent rise in the wholesale price index during the month, together with the continued spread between the official and black market rates of gold and the United States dollar. Other difficulties were encountered with the exports of tea, camphor, sugar, machinery, aluminum, soda, coal, and paper. The aluminum industry was also affected adversely, as its raw-material supplies, which had come from Fukien Province, were cut off by the loss of the mainland, and alternate sources of bauxite had to be located.



There are indications that Japan is considered as the best prospect for meeting the needs of the island, both as a market for the island's goods and as a source of supply. During October, US\$4,000,000 of the sugar credits built up by the Taiwan Sugar Corporation in Japan were made available to local importers. Although this stimulated business travel to Japan and the placing of many orders there, actual commodities would not begin to arrive for some weeks. However, sugar credits alone cannot finance Taiwan's import needs, and efforts to export 200,000 tons of sugar still on hand had been unsuccessful.

**Finance and Exchange:**—The contraction of commercial credits by local commercial banks and the Bank of Taiwan, and the resultant sharp increase in black-market interest rates was the outstanding feature of the money market during October. Black-market interest rates reached 0.7 percent per day, a record high since the introduction of the new Taiwan currency in June 1949. Commercial loans during October totaled NTY6,923,000, representing a decrease of 34.2 percent below the preceding month. The Bankers' Syndicate for Emergency Loans to Private Enterprise exhausted the funds at its disposal during the month after having made loans of NTY442,500 to local factories, which was only slightly more than half the amount lent to industries during September. Inasmuch as demands for industrial loans continued strong, the Syndicate was to resume operations during November with another appropriation by member banks of NTY1,250,000.

The provincial government announced that the bank-note issue of the Bank of Taiwan as of October 31, 1949, was as follows:

New Taiwan currency .....	NTY118,659,530
Old Taiwan currency (including bank's orders) .....	3,109,919
Total .....	121,769,449

The foregoing represents an increase of NTY9,333,098, or 8.3 percent, during the month, which is the lowest monthly increase since the inauguration of the new currency. However, as of the end of October, the total note issue had increased 179.8 percent since the currency reform, although it is officially stated that the entire note issue is backed by gold reserves.

Rates of exchange between the Taiwan currency and the United States dollar, and market prices of gold bars of 1.323 ounces during October were as follows:

Buying Rates for United States Dollars and Gold Bars		
Curg rate:	U.S.\$	Gold
October 1 .....	NTY6.55	NTY370
October 31 .....	7.50	362
Official rate .....	5.00	336

**Foreign Trade:**—In general, Taiwan's foreign trade was less satisfactory during the month under review. The gap between the official and curb-market rates of foreign exchange widened, and the resultant increase in prices had a detrimental effect on ex-

ports. On the other hand, the loss of Canton caused many of Taiwan's imports, which were normally derived from that port, to be brought in from Hongkong, this flow of imports being further stimulated by a favourable official exchange rate. Interest in importation from Japan was also aroused by the availability for purchase of Taiwan sugar credits which had been transferred to the Tokyo branch of an American bank. By the end of October, more than US\$4,000,000 of these credits were sold to government organizations and private business firms in Taiwan, with the result that there was a great flurry of travel between the island and Japan as buyers hastened north to place orders for cotton cloth, paper braid for hat making, salted fish, and many other products. It is too early for these purchases to show up in import statistics.

Although foreign demand for Taiwan tea continued brisk, actual sales to oversea buyers continued to decline, because of high production costs and the increasingly unfavourable official exchange rate. Although tea dealers were reported to have stocks of about 4,000,000 kilograms on hand, exports for October amounted to only 1,187,181 kilograms, a decrease of 324,919 kilograms when compared with the preceding month.

At the suggestion of local industrial circles, the provincial government added the following 15 items, which had originally been banned from importation, to the list of permissible imports: Coke; hat braid and fibers for making hat braid; wire rope and wire shorts; cobbles, defective wire, bar groppings and bar ends, used hoops and hoop ends or cuttings, including scrap lots of mixed dimensions, irrespective of size; old tinned plates, including box lining; metalware, electroplated or not, including cutlery; rivets; screws, crucibles; bricks and firebricks; sundry cotton goods; silicate of soda; sole leather; wollen yarn and thread; and clocks and watches. The latter two categories may be imported only after application is made to and approved by the Provincial Department of Reconstruction.

**Price Indexes:**—Wholesale commodity price indexes increased during October, as shown in the following table:

Wholesale Commodity Price Indexes			
Item	Sept. 30	Oct. 31	Percent age of increase
General .....	404.69	491.52	21.46
Food .....	424.01	506.38	19.43
Clothing .....	526.80	656.20	24.56
Fuel and light .....	464.78	537.92	15.74
Metals and electrical materials .....	290.32	405.84	44.78
Miscellaneous .....	301.80	339.49	10.30

The foregoing table indicates that the most serious general price rise since the June currency reform occurred in October. These increases occurred despite the anti-inflationary influences arising from the contraction of credit and general tightness in the supply of money. Although the note-issue increase may be considered an inflationary factor, the increase during October was significantly less than in

preceding months. Price increases must be attributed in good measure to the effect of military reverses on the mainland and the loss of important sources of supply. Until adjustments are made in Taiwan's foreign trade to insure an adequate supply of essential commodities formerly supplied by the mainland, the upward price trend is likely to continue.

**Industry:**—The contraction of bank credit had a detrimental effect on industry, where the demand for loans continued unabated and unsatisfied. Black-market interest rates consequently continued to be prohibitive, as no industry can realize profits sufficient to meet interest payments of more than 20 percent per month.

The coal industry was hard hit by the loss of the mainland market, which had been taking about 40 percent of its production. Despite this factor, production for the first 9 months of 1949 amounted to 1,136,442 metric tons, which was almost as large as production during the comparable period of 1948. Coal-mine operators, however, decided to cut production by about 40 percent and requested the government authorities to give financial assistance to pay off miners and other staff. If these cut-backs materialize, coal production will be reduced to about 70,000 tons a month. It is believed by some exporters that contraction of coal production in Taiwan is a wise move aside from the problem of loss of markets, for a number of mines now in operation have reached a point where they can no longer be worked profitably.

The Sa Lu soap factory of the provincial government's Chemical Industries Company in October broke its production record for the second successive month, with an increased output of about 30 percent over September. The camphor industry, however, is suffering from a depression in consequence of marketing difficulties, which has forced the Provincial Camphor Bureau to dismiss 180 employees.

Completion of the rehabilitation of the Takuan and Chungkung hydro-electric plants increased the capacity of Taiwan's electric-power system from 125,000 kw. to 143,000 kw. The highest peak load attained by the Taiwan power system under the Japanese was 152,000 kw.

Manufacturers of certain types of machines and their parts, received encouragement from the Provincial Department of Finance through a 50 percent reduction on October 15 in the business tax applied to them. Manufacturers of the following types of equipment received the benefits of the tax reduction: 1. Machinery for ships, mining, sugar, textile, and lumber industries. 2. Kerosene engines, electric motors, generators, and transformers. 3. Sewing machines, automobiles, water pumps, agricultural machinery and implements, and machine tools.

**Transportation and Communication:**—Communications with Amoy, Swatow, and Canton in South China were severed when these port cities fell to the Communists; however, transporta-



tion and communications with other areas were maintained at normal levels. Civil Air Transport inaugurated thrice-weekly service between Taipei and Hualien, on the east coast of the island, using two Cessna four-seater planes. All air lines operating on the island raised their fares by 10 percent on October 14.

**Agriculture:**—Harvesting of an excellent second rice crop was started toward the end of the month, and despite the last minute loss of some 745 acres of rice fields by a torrential flood, it was expected that the 1949 goal of 1,200,000 metric tons of rice would be exceeded. Despite the record postwar rice production, the new crop was very slow in coming into the urban consuming centres, where rice continued in short supply and frequently consisted of old rice dumped on the market by the provincial government at the official price. As the general level continued to move upward at a faster pace than during several previous months, the officially fixed price of rice became more and more unrealistic and finally resulted in a situation where the rice dealers were unwilling to put rice on the market, thus producing the anomaly of record rice production in the rural areas concomitant with rice shortages in the urban centres.

Planting of new sugarcane continued to be subnormal to a degree which threatened to bring the sugar production in 1950-51 to a point below that necessary to ensure profitable operations of the sugar-refining industry. In order to encourage increased plantings, the Taiwan Sugar Corporation offered to give two pieces of cotton shirting, each measuring 40 yards in length, for each hectare (2.47 acres) of sugar planted by the end of November, and one and a half pieces for each hectare planted by the end of December. The reluctance of farmers to plant cane was due chiefly to the fact that they have been unable to dispose of some 100,000 tons of sugar now on their hands, and they do not wish to plant a crop for which the market

## COMMERCIAL MARKETS

### The Chinese New Year

The close of the lunar year, at which time Chinese merchants endeavour to clear their indebtedness in order to start the new year with a clean sheet, created, as is usually the case, a certain amount of stringency in the local markets. Dealers who chiefly benefitted from the holiday spirit were the firecracker manufacturers, but even they found that the quantity sold was less than that of the previous year. In fact the uncertain conditions still existing in China, the KMT bombings and blockade of Shanghai, the lack of good railway facilities across China and the totally inadequate service by road, by hampering trade have cast their shadow over Hongkong and tended to make people cautious about spending their money as lavishly as in the past. This was reflected in the failure of the annual fair held in Hongkong at the New Year and, symptomatic of the times, people who as a rule lavishly purchased flowers for the holiday, bought very few this year. Foodstuffs and general merchandise also failed to appeal and many a stall holder complained that his sales failed to cover expenses.

Meanwhile the congestion in the warehouses continues as new shipments of goods arrive, causing stocks to increase locally in spite of the fact that the demand in China for goods and raw materials is becoming more insistent. To relieve the congestion,

appears to be uncertain.

The 1949 orange crop, which began to be picked in October, was expected to reach approximately 300,000 baskets (about 9,000 metric tons), a substantial increase over last year. As the Chinese mainland has normally taken about 40 percent of Taiwan's orange crop, however, local growers now face an acute marketing problem because of the loss of their chief markets.

four CMSN ships moored in the harbour have been approved by the authorities for use in storing merchandise in transit, but much depends upon how quickly stocks can start moving again into China. The KMT bombing of the Shanghai electric power plant has undoubtedly created a serious situation for the People's Government and the measures they will adopt to cope with the emergency are awaited with interest. There is, however, an undercurrent of optimism in the Colony, based on the fact that although trading conditions are at the moment unsatisfactory the urgent needs of China must eventually break down the artificial barriers now existing.

### Hongkong's Trade in Raw Cotton

Hongkong's trade in raw cotton during 1949 was good on the whole, in spite of the handicap imposed by the KMT blockade of communist-held ports. From April to August were practically boom months 221,593 piculs or 74.8% of the total of 296,261 piculs exported being despatched, mainly to North China and South Korea, increased delivery becoming possible with the retreat southwards of the KMT forces and the capture by the Communists of some strategic islands which enabled shipping to ply between Tientsin and other northern ports.

During the year, imports of raw cotton into Hongkong amounted to 301,790 piculs valued at \$64,856,574; these came mainly from Pakistan, with 138,423 piculs totalling \$31,684,672 or 45.8% of the total and exceeding the quantities imported from North and South America which amounted to 102,174 piculs at \$20,511,133. Burma took third place with imports of 15,307 piculs at \$2,513,608, India came fourth with 13,140 piculs at \$2,481,525, Egypt fifth with 9,035 piculs at \$2,245,517, Iran sixth with 8,400 piculs at \$2,016,000, while from



Thailand, East Africa and other countries came 15,321 piculs valued at \$3,-404,119.

Exports of raw cotton from Hongkong totalled 296,261 piculs valued at \$66,169,744; of these 221,593 piculs valued at \$50,349,912 went to North China and South Korea; South China took 19,420 piculs at \$8,948,155, Central China 10,295 piculs at \$2,047,302, Korea (North and South) 36,042 piculs at \$8,849,604, Japan 3,329 piculs at \$239,723, Macao and the United Kingdom as well as other countries 5,582 piculs at \$735,048.

Details of monthly imports and exports of raw cotton are given in the following table:—

	Imports		Exports	
	Picul	\$	Picul	\$
January	4,472	81,352	8,967	1,505,338
February	2,886	425,977	3,504	536,860
March	15,561	2,282,809	15,653	3,333,846
April	11,890	2,229,440	2,975	558,665
May	54,738	11,486,589	2,811	440,635
June	20,287	3,945,001	19,080	4,217,657
July	19,770	4,204,019	10,877	2,336,292
August	48,988	10,967,486	26,709	6,497,063
September	45,040	10,163,968	55,237	12,282,637
October	16,005	3,710,986	17,907	4,323,169
November	37,404	8,545,889	57,509	13,165,180
December	24,749	6,083,058	75,332	16,971,402
Total	301,790	64,856,574	296,261	66,169,744

#### The Gunny Bag Situation

Indications are that the gunny bag situation which has been good throughout the past year may continue to be so. Difficulties have been and in fact are still being met in regard to transportation into China, but on the whole the prices obtained have ensured a profit to dealers. The Indian Government at one time prohibited the sending of gunny bags to South Africa, which is one of India's principal markets, but this action proved beneficial to Hongkong, as South Africa was able to obtain supplies through the local market. Later these restrictions were lifted and South Africa resumed making direct purchases from the manufacturers in India. Stocks of gunny bags in Hongkong are fairly high and the new allocation for this year by sending up supplies may tend to lower prices, but the immediate effect of large stocks on the market has been partially offset by the recent fire caused by the bombing of Shumchun, the border station on the Canton-Kowloon Rly., which destroyed large quantities of gunny bags that were awaiting transportation and caused prices in Canton to rise steeply. There was a drop later, however, when supplies began again to move between Hongkong and Canton, although the existence of a bottleneck at Siangtan in Hunan on the Canton-Hankow Rly. makes progress beyond Canton extremely slow, military requirements taking precedence over trade.

During 1949 exports of gunny bags showed a considerable increase over imports, the latter totalling 21,336,699 bags valued at \$53,735,558 while 26,709,366 bags were exported to the value of \$72,080,666, the export excess being 5,372,667 bags in amount of \$18,247,108. December was the busiest month for exports 5,526,419 bags being

despatched, mainly to China and South Africa, to the value of \$15,402,592 or nearly 26% of the total quantity exported. The table below gives details of imports and exports each month during 1949:—

	Imports		Exports	
	Pcs.	\$	Pcs.	\$
Jan.	192,830	396,892	841,673	1,745,870
Feb.	696,216	1,678,745	1,550,200	3,079,304
Mar.	1,324,985	3,158,906	1,554,050	4,161,525
Apr.	580,304	1,298,748	664,940	2,242,096
May	1,527,748	3,874,845	1,790,015	4,513,421
June	748,534	1,691,957	2,934,698	8,028,473
July	698,590	2,071,026	1,579,000	4,679,899
Aug.	2,407,350	6,850,922	2,972,205	8,275,721
Sept.	2,521,869	6,906,586	2,537,017	7,131,033
Oct.	4,572,773	11,719,454	2,349,979	6,585,795
Nov.	1,861,468	4,716,105	2,389,170	6,254,806
Dec.	4,205,032	10,459,370	5,526,419	15,402,592
Total	21,336,699	53,735,558	26,709,366	72,080,666

#### Malayan Bauxite and Indonesian Aluminum Developments

Prospecting in Johore State, Federation of Malaya, has disclosed over 10,000,000 tons of high-grade and marginal bauxite, and other discoveries are likely to follow.

An aluminum plant in the Tenom River valley of North Borneo, Indonesia, which would probably stimulate the demand for Malayan bauxite, also has been proposed. Power for the production of aluminum would be furnished by a hydroelectric plant to be built on the Tenom River. This river drops 400 feet in 15 miles, a grade considered adequate for the production of hydroelectric power. The British Aluminum Company has allocated £150,000 for survey work to determine the feasibility of establishing the plant. The total cost of the project has been estimated at £40,000,000. If the project materializes, it is expected that the Malayan ores will be supplemented by bauxite from the Dutch island of Tanjung Pinang.

Some 550,000 metric tons of bauxite were mined in Johore between 1936 and 1944. Annual output average 56,000 tons during 1937-39 and reached a peak of about 170,000 tons in 1943. Production was curtailed sharply in the following year and was discontinued in subsequent years.

#### Taiwan Reports

Exports of miscellaneous medicinal substances from Taiwan in 1948, amounted to 897 quintals, valued at 653,486 gold yuan.

Imports of miscellaneous medicinals and spices in 1948 totaled 1,680 kilograms, valued at 17,938 gold yuan. Ginseng and wild ginseng imports in 1948 amounted to 15,632 hectograms, valued at 71,834 gold yuan. (US\$1=4 gold yuan, official rate, August 19, 1948; US\$1=20 gold yuan, November 13, 1948).

Taiwan's imports of ammonium sulfate in 1948 totaled 175,230 quintals (1 quintal=220.4 pounds). Imports of other fertilizers amounted to 158,715 quintals; in addition, a small quantity of potassium chloride was imported.

Taiwan's coal consumption and exports (including bunkers) totaled 91,394 metric tons in November 1949,

as follows: Local consumption, 73,341 tons; ships' bunkers, 14,804 tons; and exports, 3,249 tons. The coal-production goal for December was set at 85,000 tons; total requirements were expected to amount to 145,800 tons. The difference was to be met from stocks on hand. The Taiwan Coal Production and Marketing Committee decided to limit 1950 production to 1,200,000 tons, a reduction of 480,000 tons from the 1949 production goal and 449,000 tons below the 1948 output. The cut-back is believed to arise from difficulties in arranging for the export of surplus coal.

#### Indonesian Pepper

In the third quarter of 1949, the pepper trade in Indonesia witnessed fantastically high prices with a peak of 25 guilders a kilogram (US\$2.98 a pound) on September 26 for black Lampung and 35 guilders a kilogram (US\$4.18 a pound) for white Borneo pepper. Whereas basically this price increase can be attributed to world shortages, unsettled conditions in the producing areas and the lack of confidence in the Indonesian guilder among the Chinese dealers were contributing factors in the domestic market.

Estimates of the 1949 crop in Lampung vary. Output probably will not exceed 4,000 metric tons, or about 10 percent of the prewar average. Because of unsettled political conditions it was impossible to make an adequate survey of the condition of existing pepper gardens and the extent of new planting.

At the end of August 1949, there were 725,100 pepper vines standing in Banka compared with 400,000 in August 1948, and some 12,000,000 vines before the war. There is much interest in pepper cultivation, and work is progressing in the planting of new vines and the upkeep of old stands. Lampung-type plants are preferred to Banka type for new plantings. Production of Banka white pepper in 1949 probably will not exceed 200 metric tons.

Production and stocks of pepper in Borneo are unknown but are considered unimportant. Interest in pepper cultivation is reported in East Borneo, but a shortage of planting material has thus far prevented any extensive development.

Exports of white pepper from Indonesia in the first 8 months of 1949 amounted to 24,730 net kilograms, of which the Netherlands took 18,176 net kilograms, Singapore 4,415 kilograms, and other countries 2,139 kilograms. Exports of white pepper in all of 1948 amounted to 792,473 kilograms, with the United States as the leading customer, taking 438,142 kilograms and the Netherlands 281,468 kilograms.

Exports of black pepper in the January-August period of 1949 totaled 2,187,391 kilograms. Singapore took 1,826,449 kilograms, and the United States 330,193 kilograms; the remainder went to the Netherlands and Germany. Exports of black pepper in all of 1948 amounted to 942,525 kilograms, with Singapore taking 534,550 kilograms and the Netherlands 407,975 kilograms.



**Japanese Production Reports**

Japan produced 2,099,638,000 hand sewing needles in the first 6 months of 1949. Total production in 1948 amounted to 1,350,490,000 needles. Continued high output is dependent upon exports, and the industry is looking toward trade at prewar levels.

Japanese match production totaled 110,172 match tons in the first 9 months of 1949, compared with 180,893 match tons in the corresponding period of 1948. (A match ton is equivalent to 7,200 small boxes.)

Japan produced 563,451 watches and 1,775,246 clocks in the first 9 months of 1949, compared with 410,805 watches and 1,309,736 clocks in the corresponding period of 1948. Production of watches and clocks by types, with comparable figures for 1948 in parentheses, was as follows: Wrist watches, 525,246 (333,183); pocket watches, 38,205 (78,022); alarm clocks, 988,584 (726,334); desk clocks, 209,242 (208,618); and wall clocks, 567,169 (377,784). Total watch production in 1948 was 586,684 units, in increase of 71 percent

over the 1947 output of 332,590 watches. Clock production in 1948 amounted to 1,824,652 units, an increase of 46 percent over the 1947 output of 1,246,620 clocks.

Japan produced 845,061 bicycles in the first 9 months of 1949, of which 360,033 were complete with tires and tubes, and 485,028 were without tires and tubes. During the corresponding period of 1948, bicycle production totaled 516,477 units, of which 214,187 were complete with tires and tubes, and 302,290 were without tires and tubes.

Production of sewing machines in Japan in the third quarter of 1949 totaled 76,646 units, compared with 49,193 units in the corresponding quarter of 1948. Production for export in the third quarter of 1949 was 44,400 machines, compared with only 2,395 in the corresponding period of 1948.

**Cutlery and Hardware Exports from Japan**

Exports of cutlery and hardware from Japan in the first 3 months of 1949 totalled US\$1,041,068, and were shipped principally to the Far East and

Africa. The principal commodities included under the heading "cutlery and hardware" and the most important markets are shown below (total exports in parentheses):

Enameled iron household goods (\$447,222): Nigeria, \$147,663; Siam, \$113,731; Egypt, \$57,275; Belgian Congo, \$38,861; Gold Coast, \$31,730; Singapore, \$17,652; Philippine Republic, \$11,203; Indonesia, \$6,354; and Malaya \$6,354.

Locks and keys (\$171,248): Indonesia, \$125,601; India, \$41,381.

Door, window, and furniture fittings (\$73,143): Indonesia, \$45,039; India, \$25,944.

Table cutlery (\$62,818): Siam, \$23,545; Philippine Republic, \$14,796; Egypt, \$10,254.

Other cutlery, excluding industrial (\$73,253): Singapore, \$18,851; Hongkong, \$17,499; Union of South Africa, \$7,544; Ryukyu Islands, \$6,759; Iran, \$3,900; Malaya \$3,825; Siam, \$3,354.

Aluminum household goods (\$167,915): Hongkong, \$93,208; Siam, \$42,941; Philippine Republic, \$22,170.

Shipments of vacuum bottles (not included in cutlery and hardware



totals) were valued at \$301,966, of which \$207,695 was destined for India, \$29,293 for the United States, and \$26,176 for Canada. Lantern and lamp exports totalled \$109,499; the principal markets were Indonesia (\$49,673), United States (\$13,863), India (\$10,573), Iran (\$10,560), and Malaya (\$9,098). Exports of tools, implements and parts, totalled \$36,710 in the first 3 months of 1949, of which \$19,947 went to India, \$9,954 to the Philippines, and \$1,584 to the United States.

### HONGKONG COMMODITY MARKETS

#### Cotton Piece Goods & Cotton Yarn

As was to be expected with the approach of Chinese New Year, the cotton piece goods market was almost at a standstill during the week, with few transactions taking place except for the purchase early in the week of a quantity of grey sheetings by local dyeing factories for account of Swatow & Canton buyers. A large quantity of cotton piece goods arrived in Canton from Shanghai by rail, but as the prices were not competitive, due to the high cost of labour in Shanghai and the high cost of transportation to Canton, the owners of the cargo are hesitating to send it on to Hongkong. In addition, shipments of Shanghai piece goods continue to arrive from Tientsin, where large stocks are being held awaiting transportation. Increases were shown in the following: Grey Sheetings, Double Flying Dragon \$45.50 per piece, Dragon Head \$45, Flower & Bird 36" \$46, 38" quality \$47, Indian 14 lbs. \$42.50; the following showed decreases: Bellman \$45 per piece, Fancy Butterfly \$45. In Black Cloth, Bat & Tripod 24 yds. sold at \$60 per piece, but Yu Tai declined to \$46.50. In White Cloth, Memorial Pagoda was disposed of at the lower price of \$47 per piece, Lady on Horseback (Hsun Liang Yu) sold at \$44.50 per piece.

The cotton yarn market was inactive, although most prices showed an upward trend following reports of the damage done to the Shanghai Power Co. by KMT bombers. It is believed that work in the cotton yarn mills in that city will be at a standstill for from two to three months pending restoration of the supply of electricity and that the reserves held by the mills will be released for local consumption only. Cotton yarn dealers in Canton at once raised their prices, and dealers in Hongkong for the most part have followed: in 10 counts, Charkha sold at the increased rate of \$670, Flying Elephant at \$730 and Girl with Vessel at \$650 per bale; in 20's, Camel rose to \$1185, Cockatoo sold at \$990, Girl with Vessel at \$925, Golden City at \$1250, Golden Cow at \$965, Lake rose to \$1220, and Yacht sold at \$1180 per bale; in 32's, Indian No. 666 fetched \$1260; in 42's, Blue Phoenix was offered at \$1880, and Fairy Peach and Silver Moon at \$1850 per bale; in 60's, Double Fish and Mammoth Bird were offered at \$2600 per bale respectively, while Golden City rose to \$2680 per bale.

#### Raw Cotton

Following a reduction in the price of raw cotton by the Pakistan Govt., prices in Hongkong showed a downward trend, in spite of the news that the Chinese People's Govt. were preparing to purchase a large amount of Pakistani raw cotton through Hongkong importers. At the opening of the market Pakistan 4F 49/50 roller gin raw cotton was offered at \$1.93 per pound, but buyers were not interested as some transactions had recently taken place at \$1.83 per lb. The indent price of 4F roller gin is 27.75d. per lb.; LSS roller gin is reduced to 28d. and old stock is indented at 27.5d. At the close of the market US raw cotton 1" was quoted at \$2.07 per lb. for spot; Pakistan NT roller gin was offered at \$1.97 and 289F at \$2.02; Rangoon cotton superfine quality was offered at \$1.75 per lb. and 1st quality at \$1.65 per lb.

#### Metals

The market in metals was on the dull side during the week with declining prices caused in some instances by sales rendered obligatory either through the serious lack of storage space or because of the necessity for obtaining ready money for the end of the year settlement. About 1000 tons of various specifications of Mild Steel Round Bars, Mild Steel Plates and Galvanised Wire which arrived recently were certainly offered at lowered prices on account of one or other of these causes. To offset these factors, however, the reduction in prices by suppliers makes dealings still profitable. During the week Mild Steel Round Bars reflected the general downward trend, except in the case of 20-22" when the price remained firm because of light stocks; 40" mild steel round bars declined in price; 1/4" were offered at \$38 per picul; 5/16" at \$37; 3/8" at \$36; 1/2" at \$38; 1" at \$40; 1 1/2" at \$35; 1 3/4" at \$36 per picul; but 2" 2 1/2" and 3" bars were sold at \$41. The market quotations for Mild Steel Plates showed a general tendency downwards although prices fluctuated somewhat, with the exception of 4 x 8' 1/32" when \$75 per picul was realised in one transaction. In some instances where light stocks prevailed prices rose, such as 3/8" plates which improved to \$50 per picul, while 1/4" and 5/8" reached \$52 per picul. Mild Steel Plates of French origin 4 x 8' were quoted at: 1/32" \$70 per picul; 1/16" \$54; 3/32" \$52; 1/8" \$43 and 1/4" \$42 and 3/8" \$50 per picul. A cargo of Mild Steel Plates and thin galvanised Mild Steel Sheets which had been exported to Tientsin was returned during the week on the grounds that the period indicated on the import licence had expired prior to arrival. Galv'd. Mild Steel Sheets, thin, showed little change during the week: Japanese 3' x 6' sold at \$6.60 and 3' x 7' at \$8.05 per picul; Belgian 3' x 7' improved to \$8.10. Galv'd. Mild Steel Sheets, thick, also showed an increase, British 3' x 7' G24 rising to 61 cents per lb.; G26 to 65 cents and G28 to 74 cents. European specifications remained stationary. Galvanised Wire also showed little variation in price when compared with the previous week, but G6 and G7 which were quoted a week ago at \$50 improv-

ed to \$55 per picul; G8 showed no change in price at \$48; G10, G12, G13 and G14 declined and were offered at \$43; G15 remained unchanged at \$54 and G16 improved to \$55; G17 and G18 also remained stationary, but G20 rose to \$71; G22 improved to \$70 per picul. Brass Wire remained firm: G5 was offered at \$200 per picul; G6 to G10 at \$210; G12 and G16 at \$220; G18 to G20 at \$250 per picul and G24 at \$280. Due to light stocks and a good demand from China the Copper Wire market was brisk with high prices ruling: G8 and G10 were transacted at \$200 per picul; G12 was offered at \$206 per picul, while G14 changed hands at \$210 per picul.

#### Paper

The financial stringency felt in Hongkong with the end of the Lunar year has also touched the commodity market in Shanghai and paper, like many another item of trade, has been adversely affected, purchasers keeping out of the market. In a number of instances in Hongkong paper was offered at below cost price, but even then few sales were effected: Newsprint was extremely inactive and the price of 50 gr. 31" and 43" in reels declined to 35 1/2 cents each. Woodfree Printing Paper of 38 lbs., 42 lbs., 60 lbs. and 62 lbs. sold at 63 cents per lb. each. Bond Paper 22" x 34" with watermark 30 1/2 lbs. went for \$18.80 per ream. Duplex Board 210 lbs. and 240 lbs. fell to 45 cents per lb. respectively.

#### Glass

The People's Government having clamped down on exports of window glass from Tientsin the local market has become short, followed by the usual increase in price. China 16 oz. 100 ft. sold at \$25 per case; Polish 16-18 oz. 200 ft. at \$49 per case; French 100 ft. 16-18 oz. fetched \$25.50, 200 ft. 18 oz. \$52, and 24 oz. \$80 per case; Czechoslovakian 300 ft. 44 oz. best specification sold at \$650 per case, the middle specification was offered at \$550 and small at \$450; British origin square shaded stood at \$1.20 per ft, wave shaded at 80 cents, plain (coloured) at \$4 and wire netted at \$2 per ft.

#### Cement

Cement continued to decline during the week: Japanese 100 lb. bags sold at \$4.50 per bag in large transactions while en route cargo was offered at \$92 per ton; Indochina Dragon brand sold at \$5.75 per 1 cwt. bag; Emeralcrete rapid hardening cement (Green Island) in 112 lb. bags stood at \$8.20 per bag (official ex-godown price \$7.80), Emerald brand (Green Island) in 112 lb. bags remained at \$7.30 (\$6.80), and Green Island cement in 94 lbs. bags sold at \$6.10 (\$5.90). Snowcem cement paint in steel drums of 112 lbs. net stood at the usual ex-godown price of \$58 per drum.

#### Rubber Tyres

The rubber tyre market, while temporarily slack because of the New Year holidays, is expected to continue to advance owing to the demand from China which is as yet far from being



filled. Increased buying is expected to take place following the holidays. In the meantime, buyers endeavoured to buy the tyres somewhat cheaper, but dealers stood firm and no sales were effected. British Goodyear 32 x 6 made a further jump, bringing the price to \$250. With increasing traffic on China's roads it would appear the market is good for some time to come. Prices were: Michelin (Italy) 34 x 7 \$300 per set and 32 x 6 \$235; Goodyear (Canada) 32 x 6 \$245 and Goodyear (U.S.A.) \$250 per set; Dunlop (British) 32 x 6 \$255 and 34 x 7 \$280 per set; Dunlop (U.S.A.) 32 x 6 \$200 per set; Bridgestone 32 x 6 \$145 and Firestone (U.S.A. and British) 32 x 6 \$220 per set; Yokohama 32 x 6 \$225 per set.

#### Vegetable Oils & China Produce

Notwithstanding the shortage of supplies of tung oil (woodoil) in Hongkong, the price continued to fall, mainly on account of the low quotations ruling abroad. Japanese buyers, for instance, with the approval of SCAP have for some time been negotiating for the purchase of 500 metric tons of tung oil in Hongkong, but so far without success as the price offered, which started at US\$445 per ton c.i.f. Japan or HK\$ 170 per picul and was later raised to \$490 per ton or HK\$190, was too low to interest the Hongkong seller. The price on the local market, however, has continued to drop, which may bring the tung oil within the range of the Japanese requirements. The price at the close stood at \$194 per picul, a considerable drop as compared with the previous week's price of \$204 per picul. Teaseed oil 5% acid also fell, the price dropping from \$165 to \$157 per picul; 4% acid remained at \$180 per picul. Rapeseed oil declined from \$102 to \$100 and \$98 per picul. Groundnut oil was active, due to large quantities being despatched to Canton and heavy local purchases for New Year requirements: Swatow Cup Tze in tins fetched \$185 per picul for 1 q. and \$175 for 2 q., Swatow Flying Horse sold for \$220 per tin and Victory brand in tins for \$200 per picul; Camel & Ball 1 q. rose to \$152 per picul; Sui-tung, Kwangtung, 1 q. in drums sold for \$160 per picul; Tsingtao groundnut oil 1 q. in drums fetched \$152 per picul, an increase from the previous price of \$145, stocks having been short for some time; Thailand Deer brand 'A' in tins sold at \$150 per picul. There was also some demand for Sesame seed oil which sold at \$205 per picul for 1 q. and at \$180 per picul for Tientsin 1 q. in drums.

Cassia Lignea stood at \$56 for the 84 catty packing and \$55 for the 60 catty, while West River, Kwangtung 1 q. in bundles rose to \$58 per picul; cassia rolls, unscrapped, from Yunnan sold at \$90 per picul.

The raw silk and silk waste market was active and showed an improvement in price: Korean 1 q. sold at \$640 per picul and 2 q. at \$630; Kwangtung silk waste sold at \$470 per picul.

#### Ores

Tungsten (Wolfram) Ore is in short supply in Hongkong as a result of restrictions upon its export imposed by

the People's Govt., consequently little business could be transacted during the week, and prices remained unchanged: China 65 deg. stood at \$260 per picul, 80% of 65 deg. at \$208, and South Korean standard quality at \$260. Tin Ingots aroused little interest: Hoyuen, Kwangsi, 99% stood at \$560 per picul; Marked Banker (Singapore) 99.75% at \$580 per picul; Yunnan 99% at \$560 per picul. China Tin 60% remained at \$370, 50% for soldering at \$320, and 40% for soldering at \$270 per picul. Antimony was extremely dull, difficulties being encountered in Canton over the transport to Hongkong of some 100 tons of 99% from Yunnan. Selling prices in Canton have fallen to \$140 per picul, and in Hongkong fell to \$180. USA Aluminium, standard quality, sold at \$160 per picul.

#### China Tea

With South African buyers in the market for black tea, prices rose: B.O.P. Black tea sold at \$300 and O.P. Black tea at \$285 per picul. Superfine Pao-chung tea fell in price to \$500 for 1 q. and \$390 for 2 q. Dealers showed a tendency to hold back their stocks in view of short supplies from Taiwan.

#### Eggs

Owing to heavy arrivals of hen eggs during the week prices fell, Chuchow and Hangyang hen eggs being offered at \$10.50 and Sanmei at \$11.70 per 100. In Canton, hen eggs were selling at \$8 per 100, Chuchow duck eggs sold at \$8.20 per 100, while Changsha duck eggs fetched \$8.50. On the local market, Cheungsha duck eggs were offered at \$13 and Shekki 1 q. at \$17.50 per 100. With constant arrivals, the prices for both hen and duck eggs are not expected to improve.

#### Wheat Flour

Following a demand from China, the wheat flour market improved during the week and the extremely heavy stocks which have been hampering the market were reduced. Buyers also appeared from Taiwan and over 6,000 bags of Australian flour (50 lbs. packing) were purchased. An exception to the general activity was however, noticeable in the lack of demand for Canadian glutinous flour and in this specification the market continued dull. The last quotations before the market closed for the New Year holidays were: Australian Wheat flour, White Greens \$18.50 per 50 lb. bag; Blue Girl, Battleship, and Queen, \$17.20 per bag; Grape \$17.50; Five Bats \$18.20; Five Swallows \$18.50 per bag. U.S. Five Swallows and White Greens \$21 per 50 lb. bag; Grape, and Battleship \$19; Peerless \$20.80; Canadian, Blue Circle, and Globe \$18.70; Double Ten, and Maple Leaf \$19; Victory, and Kwan To \$18.50; Parachute \$16.80.

#### Soya Beans

The market for Beans was dull with few sales of any importance. North China Small Red Beans first quality, however, showed some improvement and the latest quotation reached \$42 per picul; Tientsin black beans 2 q. sold

for \$35. Bean Cakes were also inactive with buyers offering \$36 per picul but without sales.

#### White Pepper

This market has been enjoying good prices because of low stocks and the uncertain arrivals of further supplies. At one time some months ago the price stood at \$600 per picul, but with heavy demands from Canton and Hunan the price rose to \$1,000 per picul and at the peak to as much as \$2,000 per picul. Later the price fell somewhat and fluctuated between \$1,850 and \$1,800 and this rate is considered likely to continue unless fresh stocks are forthcoming.



## Financial Reports

### Hongkong Free Market

Owing to the Chinese (Lunar) New Year holidays business came to an almost complete standstill already several days prior to the commencement of the festival (on the evening preceding the first day of the first moon, Feb. 17). What transactions there were passed on Monday and Tuesday; the Gold & Silver Exchange Society, in whose premises the unofficial exchange and bullion market operates, kept open on Monday only but native banks and dealers did some business on the two following days. Business will officially resume on 21st February.

In the bank note and silver sections of the free market few sales were reported and prices remained at the previous week's level.

The highest & lowest rates of gold (.945 fine hongping tael) were last week \$290½—287½; of US\$ notes 652—646, DD 654—646½, TT 657—649. Gold and TT New York crossrates remained at the figures of the preceding week.

In the Chinese currency and remittance market few sales were recorded; DD Canton quoted from HK\$ 975—983 (per 1,000 in Canton), Shanghai gold transfers from 82—83 ozs per 100 ozs

in Shanghai, and US\$ transfers from 93½—94 per 100 in Shanghai. People's bank notes were quoted from 4,500 to 9,000 per HK\$ 1 and in this sector there was great confusion as the PB\$ slump in Canton, during the holidays, was spectacular. (Official rates in Canton for TT Hongkong and bank notes of the Colony continue at PB\$ 3,700 as from Feb. 3).

### Hongkong Unofficial US\$ TT and Gold Quotations

(in HK\$ per US\$100 and per .945 fine hongping tael)		Gold		TT New York	
Feb	High	Low	High	Low	
13	290	287½	650½	649	
14	290½	289	657	650	

### Hongkong Stock Market

The volume of business reported during last week was small with prices well maintained. Cements have registered a rise of over 10% following publication of Profit earned for 1949. The Market closed with enquiries but buyers are reluctant to advance their offers.

The following dividend announcements for 1949 were made during the week:—Hongkong Lands \$3.20 Free of tax. Vibro Piling Final dividend \$1 & Bonus \$1 both free of tax. Green

Island Cement Co., Ltd. \$3 free of tax, and bonus issue of one New Share for every Old.

Business reported during the week: —\$765,071.

### SHARES AND BROKERS

In the last issue of this Review, due to the oversight of the proofreader, a short item under the above title was in parts unintelligible. It is therefore, in length, repeated.

The number of shares listed at the Stock Exchange here amounts to 62 of which only 18 — 22 can be considered active. There are four Government loans listed but transactions only rarely take place. Ten Shanghai companies have their shares listed here. A total of 27 rubber plantations' shares are listed here but business is very infrequently recorded and then only in a few companies' shares.

Several companies should be struck off the Stock Exchange list as transactions in their shares have either never or only a long time ago taken place.

The list of members of the Stock Exchange Ltd. comprises 56 firms (59 individual members). The maximum number of members is stipulated to be 60. The business of the Exchange is entrusted to an elected committee which is presided over by Mr. N. V. A. Croucher.



## THE MALAYAN AND HAWAIIAN PINEAPPLE INDUSTRIES

### SUGGESTIONS FOR TROPICAL FRUIT & VEGETABLE RESEARCH

By F. C. Cooke

(Retired Canning Officer of the Dept. of Agriculture, Federation of Malaya)

In 1939, the year during which the second world war started, the shipments of canned pineapple from Singapore reached the record of 2,725,279 cases containing over 100,000,000 tins, and worth nearly Malayan \$10,000,000. However, during the Malayan campaign and the subsequent occupation by the Japanese, the industry suffered virtual extinction and has since had to be restarted, practically from the beginning.

Of the eight canneries which were operating in 1939, one was deliberately burnt down as a scorched-earth measure; two were used as strong-points by the Australians during the battle of Kranji, when the Japanese crossed the Straits; one was the storm-centre of the desperate fighting around Kallang Airport during the last hours of Singapore; and the remainder suffered serious dilapidation through looting and neglect during the occupation, when the Japanese removed most of the tools, equipment and machinery from any factory which was not operating.

After the defeat of the Japanese, the Chinese owners, with courage and determination, set about the task of

reconditioning their canneries. The buildings, which fortunately were of solid concrete construction, were re-roofed and renovated, but it was at first quite impossible to obtain new equipment. It was necessary to trace and re-install the original plant and machinery even though, when found, it was usually rusty, damaged or lacking in essential parts. By the end of 1947, six canneries, two in Johore, one in Selangor and three on the island of Singapore, had been reconditioned, and approved for operation.

The plantations, mainly in the upland areas of South Johore, had suffered even more than the canneries. During the initial period of occupation, following a series of massacres in South Johore, the growers abandoned their lands and took to the jungle. The upland areas in consequence became rolling sheets of lallang and gradually reverted to secondary jungle growth. Smaller areas of low-land peat soils around the Pontian District in South West Johore and in the Klang District of Selangor suffered through the rise of the water level following the choking of the drains with weeds



and of the rivers with water hyacinth. Thus, on the cessation of hostilities, of the original 58,000 acres of canning pineapple, scarcely 3,000 acres were good enough to be worth reconditioning.

Government was aware of the serious plight of the industry, and, in May 1947, appointed a Special Pineapple Committee under the chairmanship of the State Agricultural Officer, Johore. The Committee also included the chairman of the Central Board of Pineapple Packers, and a number of senior government officers to advise on the agricultural, industrial, commercial, economic and sociological aspects of the various problems of the industry. The Committee's final report, which contains some thirty recommendations, was submitted in February, 1948, and in essentials has the approval of the Governments of the Federation of Malaya and Singapore. The industry is now engaged in putting into operation the initial stages of a comprehensive scheme of reconstruction.

\* \* \*

In the same year the writer was sent to Hawaii to study the industry and see what developments had occurred during the war years. In discussing the subject and submitting recommendations for the Malayan pineapple industry he has been set a very difficult task because of the wide differences in conditions, in outlook and in the financial organisation of these two industries.

The Hawaiian pineapple industry is a heavily-capitalised and highly-mechanised business and yet, with far higher wage rates than Malaya, is able to produce more cheaply. If the same co-ordinated efficiency and mechanical ingenuity and the same policy of dynamic expansion is transferred to countries where wages are lower than in Malaya, there is an almost certain prospect of very severe competition in the future, and a policy of laissez-faire would undoubtedly have serious consequences. Every means of securing greater efficiency and reducing production costs therefore needs to be examined.

It must be understood at the outset that the methods practised in Hawaii are not necessarily suitable or immediately suitable for the Malayan pineapple industry. There are, for instance, the striking differences in climate and soils, and the fact that an entirely different variety of pineapple is grown. Cultivation is also in the upland regions, whereas in Malaya the crop is being restricted to the lowland peat areas.

There are also fundamental differences in outlook to be considered. American employers work on the principle that a policy of vigorous expansion will create new employment, reduce prices, and ensure the continued stability of their businesses: the Japanese-American and Filipino-American workers co-operate in the introduction of labour-saving and labour-easing devices, and demand a

high standard of living which they are intelligent enough to realise can come only through increased productivity. Then there is their attitude towards advertising as an essential adjunct to this policy of dynamic expansion. It is frequently pointed out that the Americans are favoured by a large domestic market, but is not the British Empire also a large and ever-expanding market?

Except for the multiplicity of coloured labels, of which few have ever had any real selling value, the Malayan pineapple industry has done practically nothing to create a demand either in Europe or in the British Empire for canned pineapple or its by-products. Even if it had, this under-capitalised industry of small units, based on hatch-processing and chained to cheap hand labour, could not readily have responded to such a vast and progressive increase in demand as has occurred over the same period of years in Hawaii.

Hand labour is not elastic because trained manual workers are not available when required, and in consequence it acts as a brake on the free and rapid expansion of industry. With mechanisation, output can be rapidly multiplied simply by bringing in more machines; and with such rapid expansion the cost of production can be reduced, without wage reductions or dismissals. The growing needs of an increasing world population for inexpensive luxuries can thus be met by mechanised production.

It is true perhaps that in the change-over from manual production to mechanised production, a temporary displacement of workers does sometimes occur. But the Malayan pineapple industry will be steadily expanding during the next ten years as the new areas now being opened up in Johore and Selangor begin to yield fruit. Thus there need be no fear of unemployment; on the contrary, mechanisation in Hawaii has rapidly built up a vast and still expanding industry and has increased employment in that industry. Further, the workers have attained a higher status and receive higher pay as skilled operatives than they otherwise would.

Stream-lined production, or the continuous flow of work, is the keynote of modern industry. Here, in Malaya, change-over to this stream-lined production must necessarily be introduced gradually as circumstances and finances permit. The industry has already agreed to make compulsory, in all canneries, the use of certain machines which materially improve the quality of the product and at the same time constitute integral parts in stream-lined production. A further step in the mechanisation process will be the machine-cutting of the fruit. At present each fruit is peeled, cored and sliced individually by skilful men, armed with sharp knives. They are quick and dexterous but nevertheless they take two minutes to complete the whole operation, whereas the latest peeling, coring and slicing machines, operated by a team of two men and three girls, are each able to deal with over 100 fruits a minute.

A third essential requirement is the profitable utilisation of the whole of the fruit. At present less than 20 per cent. of the whole fruit is canned; the rest of the fruit, the so-called "waste," is not only a total loss, but also a serious nuisance. The machine, known as the eradicator, is able to scrape white pulp from the inside of the skins, and this could be converted into pineapple crush, jam and juice, or else into canning syrup, so saving sugar. The coarse green "outers" could be crushed, pressed, ensiled and so converted into a coarse feed for livestock, such as pigs and dairy cattle, which could provide an associated industry.

A fourth requirement is planned and co-ordinated operation in field and factory. Until recently, supplies of fruit were obtained with competition not only between the operating canneries but also from the fresh fruit trade, and gluts of fruit and shortages occurred at irregular intervals. Occasionally, during a period of glut, as much as five days might elapse between cutting and canning. This resulted in loss of fruit through rotting in storage and encouraged the practice of cutting unripe fruit to prevent such rotting. As a first step the industry has established a clearing station from which consignments of fruit are directed to the different canneries, and a sliding scale of prices has now been agreed upon between the canners and the growers.

This is only a beginning. It will be appreciated that stream-lined production demands planned operations to secure full efficiency. It is essential to plan harvesting to ensure regular deliveries of fruit so as to maintain the machines in continuous operation, and also, in the peak of the season, to operate with fewer machines than would otherwise be required.

Furthermore, to obtain the best results, pineapples should be harvested only when ripe, should be gently handled, transported expeditiously, and rapidly processed within 24 hours of cutting. At present, this is regarded in Malaya as an ideal that is impossible, of attainment in view of the erratic deliveries from the existing small growers and the disturbed conditions in the pineapple areas. When the plantations come into bearing, it should be possible to organise deliveries so that the fruits are cut as close to the ideal condition of ripeness as it is possible to get.

A fifth requirement is proper technical control in field and factory, with greater supervision to ensure systematic work and rigid adherence to agreed standards of quality, and to prevent malpractices which otherwise inevitably occur.

The sixth and most important requirement of all is research on far more ambitious lines than has hitherto ever been attempted in Malaya. In Hawaii, the opinion was responsibly expressed on several occasions that the vast sum spent there on research was an essential expenditure which on several occasions had saved the industry from disaster and was primarily responsible for its success.



## Production of Malayan Mines

Production of tin and gold in Malaya increased again during the last quarter of 1949. The iron ore mines at Dungun, Trengganu, are now almost in full production, 7,983 tons of iron ore having been obtained in December as compared with 372 tons for the first three quarters of the year during which the mines were being rehabilitated.

The price of tin previous to September 19, 1949, was Mal. \$282.39 a pikul. Following the revaluation of sterling, the Ministry of Supply agreed to pay an average price for tin purchased during the period between revaluation of sterling and the opening of the tin metal market in Singapore. The tin metal market in Singapore opened on November 16, 1949, but there were no sales on that date. Effective operation of the market began on November 17, 1949, and the tin price was Mal. \$325.62½ a pikul. On subsequent dates the price dropped considerably and on December 31, 1949, was \$285.50 a pikul.

Production increased by 424 tons tin-in-ore during the quarter. The number of dredges and gravel pump mines working increased by 2 and 15 respectively. The assay value used for calculating the tin metal content of the concentrates produced continued at 75.0%. The total production of tin-in-ore in the fourth quarter was 14,434 tons as compared with 12,766 tons, 13,700 tons and 14,010 tons for the first, second and third quarters of 1949 respectively, making a grand total of 54,910 tons for the whole year.

The production of gold almost doubled in the last quarter of 1949. In

the first quarter the Malayan production was 2,533 Troy ozs. of raw gold; in the second quarter, 2,965; and the third quarter, 3,387, while in the last quarter of the year the production was 4,716 Troy ozs. of raw gold. The total production for the year was 13,601 Troy ozs.

Quarterly figures during the year for the exports of ilmenite were:—First quarter, 3,815 tons, Second, 5,500, Third, 6,082, Fourth, 4,321 tons; making an export total of 19,718 tons for the year.

Production of coal in the last quarter while better than that for the first quarter was not equal to the figures for the second and third quarters. The output by quarters was:—first quarter 89,476; second 103,640, third 99,040, and fourth quarter 94,742; making a total production for the year of 386,898.

Other mining production in the last quarter of 1949 include six tons of scheelite, five tons of wolfram and 314 tons of china clay.

Exports of tin ore concentrates in the fourth quarter of 1949 in long tons were 19,241, of which 6,045 were exported in October, 6,694 in November and 6,502 in December. The figures for tin metal content were: October 4,534; November 5,020 and December 4,877, making a total of 14,431 long tons.

Duty paid on exports of tin ore concentrates in the last quarter was \$10,248,570, as compared with the total of the previous three quarters of \$27,813,081, making a grand total for the year of \$38,061,651.

Here in Malaya a first step in canning research will be to find subsidiary industries which would make it possible to provide year-round employment for the employees since pineapples are harvested during seven months only of the year. Contrary to a previously expressed opinion, there are other Malayan fruits and vegetables which can be produced on a plantation scale and canned satisfactorily. Canned "Hawaiian Breakfast" papaya and canned "Belimbing Buloh" for instance are the equal and almost the exact equivalent of canned apricot and canned green-gages. Then there is that vitamin-rich, free-growing weed, Amaranth, the Malayan spinach, which in canned form should find a ready-market in countries where green vegetables are practically unobtainable. Tropical fruit salad, canned foods containing fish, fowl or meat and based on rice, macedoine of tropical vegetables and other oriental foodstuffs, all require systematic investigation.

It can safely be predicted that the preservation of food surpluses will assume increasing importance as the world's population continues to increase and the world production of foodstuffs continues to be unable to keep pace. That is why the new industry of quick-freezing is so important. Fresh frozen foods, a luxury today,

can, by mass production methods, become tomorrow's cheap necessity.

The Canning Research Station at Johore Bahru has been completely re-equipped by Government for small and medium-scale processing trials and for the laboratory investigation of the many technical problems of the industry. Field investigational work is to be started at the Federal Government Experiment Station at Pontian in South West Johore as soon as the present emergency is over.

The problem of first importance will be plant-breeding to obtain pineapples of uniform size and cylindrical shape, suitable for machine-cutting, in addition to other desirable characteristics. Problems of management of peat soils and mechanical cultivation on this terrain will also be studied at this Station with a view to improving yields, flavour, texture and quality of the fruit.

This, in rather brief outline, is a review of the major problems of the Malayan pineapple industry. With the speedy yet cautious introduction of modern methods in field and factory, and a change in commercial outlook, there is no reason why this industry should not be able to compete successfully and continue to expand to meet the steadily growing needs of an increasing world population.

The grand total of tin ore production for the year was 73,212 tons. Comparative figures for the various quarters for the production of tin were: first quarter 17,021 tons, second quarter 18,266, third quarter 18,680, fourth quarter 19,245.

The total number of tin mines and dredging units operating in Malaya was 672 in October, 687 in November and 686 in December. Of the total of 686 dredging units in December, 113 were operated by Europeans and 573 were Chinese mines.

Labour figures on the tin mines remain steady, being 46,890 persons in October, 47,054 in November and 46,993 in December. These figures show an improvement over the previous figures for the highest months of the year—January which was 46,282, and September which was 46,205.

The total number of persons employed in all types of mines show an increase of approximately 1,000 over the average figures for the third quarter of the year. The figures were:—October 52,273; November 52,414 and December 52,640. At the end of the third quarter in September, the total number of persons employed in all mines was 51,562 whereas at the end of the second quarter in June, the total was 50,918 persons.

## Reports from Malaya

### Rubber

Malaya as a whole (Singapore plus the Federation of Malaya) imported 220,141 long tons of rubber during 1949, a drop of 26.5% from the previous year's total of 300,091 tons. Imports in December 1949 came to 19,703 tons, as compared with 17,877 tons in November and 25,041 tons in December 1948. Singapore's foreign imports (i.e., from sources other than the Federation) totalled 17,318 tons in December 1949 and 187,903 tons for the year. The principal suppliers in December were North Borneo 1,144 tons (13,342 for the year), Sarawak 2,853 tons (30,948 t.); Rhioi Residency 1,264 t. (8,517 t.) Dutch Borneo 3,572 t. (14,961 t.); Sumatra 6,323 t. (104,900 t.), and French Indochina 1,236 t. (4,044 t.). The only foreign suppliers to the Federation were Burma, 521 tons in December (6,008 t. during the year), Sumatra 830 t. (9,200 t.), and Thailand 1,034 t. (17,030 t.), the totals being 2,385 t. for December and 32,238 for the year.

The Federation's foreign rubber exports totalled 414,364 long tons in 1949. December exports came to 38,168 t., an increase of 11.2% over the November figure of 34,233 t. The principal purchasers in December were the United States, which took 12,331 t., or more than 32% of the month's total, the United Kingdom 7,463 t., Germany 3,232 t., and Russia 2,560 t.

Rubber exports from Singapore and the Federation in December totalled 77,866 tons (as against 75,866 t. in November), of which 23,619 t. went to the U.S., 14,719 t. to the U.K., 7,029 t. to Germany, 4,872 t. to France, 2,938 t.



to Japan and 2,560 t. to Russia. Total foreign rubber exports for the year came to 899,212 t., a drop of 8.2% from the 1948 figure of 979,107 t. The major purchasers in 1949 were the U.S. (265,328 t., or 29.5% of the total), the U.K. (164,362 t. or 18.2%), Russia (63,414 t. or 7.2%), France (57,391 t. or 6.4%), and Germany (56,738 t. or 6.3%).

At the close of business on December 31, 1949 there were 38,491 dry tons of rubber in dealers' stocks and 12,641 t. in port stocks in Singapore, a total of 51,132 t., as compared with stocks of 39,130 t. and 10,506 t. respectively, totalling 49,636 t., as of November 30. Stocks in the Federation at the end of the year came to 22,043 t. on the estates, 43,578 t. with dealers, and 6,567 t. at the ports awaiting shipment—a total of 72,188 t. The corresponding figures for the end of November are 21,292 t., 42,409 t., and 6,983 t.—a total of 70,684 t.

The Federation's total rubber production came to 670,257 long tons, dry weight, in 1949, a drop of 3.8% from the 1948 figure of 696,978 t., but an increase of 3.9% over the 1947 total of 645,229 t. Production on estates of 100 acres and over showed little change between 1948 and 1949, reaching 402,907 t. in the former year and 400,009 t. in the latter—an increase of more than 11% over the 1947 figure of 359,865 t. The output of the small-holdings, however, rose from 285,364 t. in 1947 to 294,071 t. in 1948, and then dropped by 8.1% to 270,248 t. in 1949. Production in December 1949 totalled 59,553 t., as compared with 60,449 in January (the year's peak month) and a monthly average of 55,855 t. November, the third best month in 1949, showed an output of 58,994 t. In 1948 December came only eighth on the list with an output of 57,986 t., as compared with a monthly average of 58,081 t. and a peak figure (in April) of 66,408 t. The December 1949 total was composed of 35,576 t. produced on the estates and 23,977 t. produced on the small-holdings—figures which show only a fractional change from those of the previous month. In December 1948 the proportional share of the estates was considerably larger, with 38,177 t. coming from big producers and 19,809 t. coming from small-holders.

#### Federation of Malaya Rubber Production 1948 and 1949.

	(In Long Tons, Dry Weight)		SMALL-HOLDINGS		TOTAL	
	ESTATES		(Estimated)			
	1948	1949	1948	1949	1948	1949
Year's Total .....	402,907	400,009	294,071	270,248	696,978	670,257
Peak Month .....	38,177	36,658	33,684	24,900	66,408	60,449
	(Dec.)	(Aug.)	(Apr.)	(Sept.)	(Apr.)	(Jan.)
Lowest Month .....	28,529	27,539	16,313	16,744	49,607	44,886
	(Feb.)	(Feb.)	(May)	(Apr.)	(May)	(Apr.)
Monthly Average .....	33,576	33,334	24,506	22,520	58,081	55,855

#### Soap

The 38 soap factories in production in the Federation in December 1949 had a total of 503,323 lbs. on hand at the close of the year. Total production during 1949 came to 13,693,166 lbs., of which 859,540 lbs. were produced in December—an increase of 3% over the November figure of 834,970 lbs., but almost 25% below the 1949 monthly average of 1,141,097 lbs. The Novem-

ber production figure was the year's lowest and March, with an output of 1,422,643 tons, was the peak month. Output in December 1948 came to 1,338,730 lbs., 5% below the 1948 monthly average of 1,410,334 lbs. but 56% above the figure for December 1949. Soap production has been declining sharply; the 1949 output was 19% below that for 1948 (16,924,005 lbs.) which in turn had dropped almost 28% from the 1947 level (23,377,056 lbs.). Soap sales in the Federation totalled 11,296,803 lbs. in 1949, of which 830,884 were sold in December and 818,813 in the preceding month. Sales in Singapore totalled 93,700 lbs., of which 19,850 were transacted in December and 23,350 in November. Foreign soap exports for the year came to 2,386,056 lbs. There were no soap exports in November; December exports, however, amounted to 22,400 lbs., all of which was produced in Penang, the Federation's main soap-producing centre, where 14 of the 38 soap factories are located.

#### Palm Oil and Kernels

The Federation's output of both palm oil and kernels has been increasing steadily since the war. Palm oil production in 1948, at 45,257.4 long tons, was almost 16% above 1947 (39,115 tons), and 1949 output at 50,560.7 tons improved over 1948 by nearly 12%. The output of kernels, which had totalled 5,737.2 t. in 1947, rose by nearly 48% to 8,471.1 t. in 1948, and increased again by 23.5% to 10,459.4 t. in 1949.

#### Federation of Malaya Palm Oil and Kernels Production 1948 and 1949.

	(in long tons)		Kernels	
	1948	1949	1948	1949
November ....	4,827.2	4,504.3	913.6	994.1
December ....	4,762.4	4,539.2	873.0	1,004.0
Peak Month ..	4,827.2	4,539.2	913.6	1,004.0
	(Nov.)	(Dec.)	(Nov.)	(Dec.)
Lowest Month ..	2,420.1	3,793.0	431.0	791.0
	(June)	(Jan.)	(June)	(June)
Monthly Average ....	3,771.4	4,213.4	705.9	875.6

Both the acreage and the number of estates in production have increased each year since the war. (The acreage figure in the table below is that of estates in production, not of acreage actually harvested).

#### Oil Palm Estates in the Federation of Malaya 1947, 1948 and 1949.

	Number of Estate		Acreages	
	In	Of Estates in	Total Production	Total Production
	Total Production	Total Production		
1947 ....	47	34	78,181	70,828
1948 ....	48	41	81,991	78,904
1949 ....	53	46	88,210	85,518

Stocks on hand on the estates and in bulking installations in Selangor and Singapore rose during the month of

December 1949. Stocks of palm oil rose 14%, from 3,382.4 tons at the beginning of the month to 3,864.2 t. at the close, while stocks of kernels rose slightly over 10%, from 804.6 to 886.1 t.

#### Timber

A thriving sawmill industry has been developed of recent years in Johore, which eliminates the more wasteful method of transporting logs instead of sawn timber. In 1949, the industry showed a decline, only 49,205 tons of logs and 27,620 tons of sawn timber being despatched to Singapore, as compared with the quantities for 1948 of 64,829 t. and 28,806 t. respectively; the decrease is accounted for by the disturbed conditions existing in the State.

#### Other Mining Products

Considerably higher output was achieved in other sectors of the Malayan mining industry during 1949. Coal production rose a little over 3%, from 375,460 tons in 1948 to 386,898 t. in 1949. Raw gold production increased by 20%, to 13,601 troy ounces. Ilmenite exports rose by 182%, from 7,000 t. in 1948 to 19,718 t. in 1949. During 1949, moreover, the Federation's largest iron mine, the former Japanese concession at Dungun, was brought into production under its new owners, the Eastern Mining and Metals Co. During the first even months of the year, when the mine was still controlled by the Custodian of Enemy Property and was being rehabilitated by the company, production totalled only 472 t.; but in December, when the new owners took over, output reached 7,983 t., and further improvement is expected in the current year.

The total number of workers employed in all mines was 52,414 at the end of 1949.

#### Tin

Malayan tin production totalled 55,448 tons in 1949—the best figure since the war. The metal content was more than 10,000 tons higher than in 1947. The number of mines increased from 614 in 1948 to 686 in 1949, and the number of dredges rose from 67 to 76. Gravel pumps increased to 518, and there were 50 workings without machinery. Despite the considerable improvement, achieved in the face of terrorism, the small Chinese producers (who contribute 35% of the total output) are worried about the future because of the lack of prospecting operations. European-owned mines are generally in a sounder position since they can work for years on areas already prospected.

Foreign exports of tin metal (primary) from the Federation of Malaya and Singapore in 1949 totalled 54,783 long tons, of which 43,901 t., or more than 80%, went to the United States. The United Kingdom took 74 t., 5,953 t. went to Continental Europe, 4,575 t. to various British Possessions, and 280 t. to other countries. Although tin exports have increased in every year since the war, they are still far short of the figures achieved prior to the Japanese invasion.



## TIN MINING IN INDONESIA

Indonesia is now producing tin at the same level as during 1935-39 when it ranked second only to Malaya. The latter country is the world's largest tin producer, with a current output of about 52,000 tons per year — well beyond any anticipated Indonesian rate of output. During the war Bolivia supplanted Indonesia as second largest producer of tin and held the position through 1948. The operators in Indonesia feel confident that they will reassume second position during 1950. Indonesia's optimism is based on the excellent condition of its equipment and the acquisition of eight new large bucket dredges of modern design in 1947.

Tin production in Indonesia is confined to the islands of Banka, Billiton, and Singkep. Banka tin ores are found principally in many river alluvial deposits and in the alluvial strata on the slopes of small hills. Banka tin, as the metal is known in commercial channels, is of the purest quality.

Billiton's tin is recovered principally from river bottoms and from the sea at the mouths of its rivers. Bucket dredges and spout dredges are used for the most part and are sometimes assisted by hydraulic dredges. The concentrates obtained from Billiton's alluvial beds are of a very high grade and purity, and Billiton tin metal is frequently specified commercially because of its high quality.

Singkep, the smallest tin-producing island of Indonesia, has numerous hills with broad, flat valleys which contain minor tin deposits. The heaviest yield occurs at the mouths of several rivers where dredges operate with considerable success. The tin operations in Singkep are under control of the Billiton Mining Co., and the tin produced carries Billiton's trade mark and is known as Billiton Tin.

Banka, Billiton, and Singkep are under the management of the government-controlled Mutual Mining Co. (The Government owns 62½ percent of the stock.) As the United States of Indonesia is formed, ownership of the stock is automatically transferred to the new Government.

**Mineral Policy:**—Prior to 1899, rights to exploit valuable minerals were granted by executive order, and, until 1850, the Dutch Government reserved such rights exclusively to itself. The middle of the nineteenth century saw a marked change in the mineral policy of the colonial government, and private enterprise was greatly encouraged. In 1852 a concession was issued to the Billiton Company to exploit the tin deposits on the island of Billiton. This was the first case to change the trend. When private enterprise was introduced, it became apparent that all matters concerning mineral rights should be regulated by law.

The Mining Law of 1899 served this purpose. According to this law a landowner has no rights over the mineral values within the boundaries of his property. This fundamental principle distinguishes this law quite sharply from Anglo-American practices and has very decisively influenced mineral policy in Indonesia.

The law of 1899, which still governs the granting of mineral rights, insures these rights to the first discoverer, who is in no way subject to control by the surface owner. The right of prospecting is given to the first applicant for a term of 3 years, and may be extended by two additional terms of 1 year each. The license is limited to about 40,000 acres and is withdrawn if prospecting work has not been started within 1 year after the license was granted.

Minerals cannot be mined without a concession issued by the Governor General. A concession can be granted for a maximum of 75 years, and for a maximum area of about 4,000 acres. Only holders of licenses of prospecting can apply for a mining concession. The holder must be able to prove the presence of the mineral he wants to mine and the technical possibility of exploitation. Anyone who finds a mineral deposit by accident without having a license for prospecting can be rewarded by

the Government, but is not entitled to concession rights.

Licenses for prospecting and concessions can be granted to citizens of the Kingdom of the Netherlands, to persons of other nationality residing there or in Indonesia, or to companies established in the Netherlands or in Indonesia. The majority of the directors and officers of these companies must be citizens of the Kingdom of the Netherlands or persons domiciled in Indonesia, living in the Netherlands or in the Indies. Persons or companies not established in Indonesia must at least be properly represented. These restrictions are not intended to exclude foreigners. Any foreigner residing in the Netherlands or the Indies, and foreign companies established there are accepted as licensees for prospecting and concessions. The purpose of these restrictions is to insure that those directly responsible for mining operations are subject to the legal control of the Government.

**Methods in Tin Mining:**—The alluvial tin deposits found in Indonesia are varied and require various methods to extract the concentrates. Alluvial tin is found both under water and underground. The bulk of the recoverable tin lies near the mouths of rivers, and, in many instances, the pay dirt extends quite a distance out to sea. A number of deposits of varying character and importance have been discovered inland. In some cases lodes of fairly important dimensions have been worked but considerable tonnages have also been obtained from small lodes, with veins of 6 inches to 2 feet. One underground mine has been developed in Kiappa Kambit, on the island of Billiton, and was in full operation at the time of the Japanese invasion. The width of the veins ranged from 3 to 4 feet, and the total depth was 1,600 feet.

The "open pit," or "open cut," mining method contributes substantially to Indonesia's total tin production. In adopting this method, parts of a tin dredger are transported inland to tin-bearing territory and there assembled. The surrounding soil is dredged, leaving the dredge in a pit, which is made into a pond by flooding with water. The pond moves with the dredge; for the sand, cleared of tin, refills the pond behind it. The dredge, when in operation, moves forward sluicing the earth to gravel pumps which transport the mixture of tin-bearing earth and water, called slurry, to riffleboxes which, by agitation (assisted by workmen with hoes), separate the tin particles from the slurry. In rich mines the raw concentrate is recovered every day. When poorer deposits are worked the riffleboxes are operated continuously for several days before a clean-up is made. There are several ways of operating in "open cut" mines. If sand and loose clay predominate, a powerful jet of water can be used most effectively. Tough clay must be cut with hoes, by hand, although bulldozers and power draglines are sometimes used successfully.

Foreign Exports of Tin Metal (Primary) from the Federation of Malaya and Singapore, 1939-40 and 1946-49.

	1939	1940	1946	1947	1948	1949
November .....	7,916	9,776	2,788	4,350	3,284	2,604
December .....	9,555	11,967	94	2,345	1,753	8,202
Peak Month .....	15,306	13,886	2,788	4,350	5,897	8,202
Lowest Month .....	3,796	(Oct.)	(Jan.)	(Nov.)	(Apr.)	(May)
		9,324	Nil*	858	1,753	1,777
Monthly Average .....	6,757	10,911	633	2,673	3,934	4,565
Year's Total .....	81,089	130,936	7,598	32,072	47,214	54,783

\* Exports in 1946 were very uneven. There were none at all in January, February, March, June and September, and only one ton in April.

Movements of Tin-in-ore from the Mainland of the Federation to Singapore and Penang, 1939-40 and 1947-49 (In Tons)

	1939	1940	1947	1948	1949
November .....	6,620	6,845	3,214	4,198	5,020
December .....	7,545	8,303	3,499	4,239	4,877
Peak Month .....	10,329	8,517	3,499	4,239	5,020
Lowest Month .....	(Sept.)	(Mar.)	(Dec.)	(Dec.)	(Nov.)
	1,481	5,487	964	3,183	3,591
Monthly Average .....	(June)	(Apr.)	(Feb.)	(Mar.)	(Feb.)
	4,585	7,063	2,244	3,812	4,620
Year's Total .....	55,019	84,751	26,927	45,739	55,449



The most productive method in Indonesia is bucket dredging in the sea and rivers. Tinbearing areas covered by the sea and those of great size and sufficient depth are worked with powerful floating bucket dredges, sometimes assisted by hydraulic dredges. The most modern type used in Indonesia has an annual output of 4,000,000 cubic yards and digs more than 100 feet deep. A complete installation for the treatment of tin-bearing earth is part of the equipment, and the sand, clay and silt, discarded after having passed through the washing outfit, are dumped into the sea.

The washing process consists of screening in a perforated rotating cylinder, followed by jigs. By careful selection of the most efficient type of jig it is possible to match washing capacity to the dredge's digging capacity. Usually, the over-burden is either removed by a hydraulic dredge or is bypassed through sluices to the tailing dump behind the dredge. Diesel-electric or steam-electric power, supplied from shore by a floating powerline, activates the bucket line and the machinery. Land- and eventually sea-anchored steel ropes and winches move the dredge forward and sideways.

Dredges with bucket capacities of 5, 7, 9, and 14 cubic feet are used. Their annual production varies between 500 and 2,500 tons of tin, according to digging capacity and to the tin content of the deposit. In an exceptional case, when a particularly rich deposit is worked by a bucket dredge in cooperation with a hydraulic, an annual output of 4,000 tons of tin has been obtained.

Raw concentrates in Indonesia contain about 65 or 70 percent tin. By a carefully carried-out second concentration process, in a separate installation, this tin content is raised to 73 and 74 percent. The final product is dried, bagged, and shipped to the smelters.

**Production Trends:**—Prior to world war II, Indonesia was the second largest producer of tin, accounting for about 18 percent of the output. Its greatest contribution was 53,208 long tons of tin in concentrates in 1941—more than 21 percent of world production. After the seizure of the islands by the Japanese in January 1942 production declined, amounting to 1,050 tons in 1945. The occupation struck a heavy blow at the tin industry. Vital parts of the plant equipment at Billiton and Singkep were rendered unserviceable. The power supply was seriously impaired by the dismantling of Diesel motors and of the high-tension wire and cable system. Much equipment from Billiton and Singkep was carried off and set up on Banka where the tin-mining industry was concentrated under Japanese management. The dredges at both Banka and Billiton were damaged almost beyond repair.

With the return of the Dutch to Billiton in October 1945 and to Banka in February 1946, the production rate at the end of 1946 reached 6,419 tons of tin in concentrates. The first complete year of operation after the return of the Dutch found rehabilitation proceeding

at a rapid pace, as indicated by the 15,915 tons produced in 1947. In 1948, a steady rise brought the annual total 30,562 tons.

Before world war II, tin concentrates produced in Indonesia were smelted at Arnhem, Holland, and on the island of Banka where two smelters were active. The smelter in the Netherlands is owned by the N.V. Hollandse Metallurgische Bedrijven (Holland Metallurgical Works), a subsidiary of the Billiton Mining Co. The two plants on Banka processed virtually all of the island's output of concentrates, small quantities being shipped to the Netherlands and to Singapore.

After the invasion of the Netherlands, Singapore and the United States bid successfully for Indonesian concentrates and, until the Japanese overran the islands in January 1942, the United States imported approximately 14,000 long tons of tin in concentrates.

When the Dutch returned to Banka they found the smelters badly damaged. Because of the high cost of machinery and equipment it was decided to postpone rehabilitation. All concentrates are being exported to the Netherlands and to the United States. The latter received 28,362 tons of tin in concentrates from Indonesia in the years 1946, 1947, 1948, and the first half of 1949.

There was installed, on February 14, 1948, the Netherlands Indonesian Tin Council under the chairmanship of the director of the Department of Traffic, Energy, and Mining. The Council represents tin producers on Banka, Billiton, and Singkep and is charged with the co-ordination, under Government control, of the national and individual interests involved in the exploitation, production, and sale of Indonesian tin.

The first task undertaken at the initial convening of the Council was a program to expedite rehabilitation through centralized purchase of equipment, the use of advanced methods, and the efficient use of personnel. The remarkable recovery in 1948 prompted the Council to assume the responsibility for continuing this development and for undertaking long-term plans of exploitation.

Another function of the body is the determination of an over-all policy on smelting and selling activities. Other problems discussed were supply, closer cooperation in the sale of tin and tin concentrates, and participation in forthcoming meetings of the International Tin Study Group.

It is hoped that, with a definite program, the smelters at Banka will be able to resume operations much sooner than expected.

**Exports:**—The United States and the Netherlands before World War II accounted for about 62 percent of Indonesian tin exports in the period 1936-9. The United Kingdom, Japan, France, and Italy also were regular purchasers of Indonesia's metal. The Netherlands, a traditional trading center, reexported most of the Indonesian metal. Inconsequential quantities of metal have been exported from Indonesia since the war, but these are believed to be the remainder of stocks recovered after the Japanese occupation.

Prior to World War II, Indonesia exported considerable quantities of tin concentrates to the Netherlands for smelting. When overrun in 1940, the Billiton Company's Arnhem smelter was cut off, causing the company to sell its concentrates elsewhere. The Billiton Company, in conjunction with the Netherlands Government, contracted with the United States Metals Reserve Company, a subsidiary of the Reconstruction Finance Corporation, to ship concentrates at the rate of 1,875 tons (tin content) monthly, starting with July 1941. Approximately 6,000 tons were delivered in the second half of 1941, and about 8,000 tons early in 1942. Much of the latter tonnage was in transit late in 1941, thereby escaping confiscation by the Japanese when the islands were seized.

**Rehabilitation:**—The Government of Indonesia, in 1948, inaugurated an industrial planning program to increase production capacity by assisting industries that could be rehabilitated with the least imports or which would be instrumental in supplying domestic consumer goods that otherwise would have to be imported. A "Reconstruction Subsidy" regulation of February 2, 1948, offered a reduction of 50 percent in the duty on certain technical goods required by new industries and new products, between September 1, 1948, and December 31, 1949. Regulations also permitted the deduction of depreciation up to 100 percent over any number of years.

Despite the combined efforts of Government and management, industry suffered from chronic shortages of raw materials, parts, prime movers, and skilled labour in 1948. Nevertheless, industrial output has been restored to at least 50 percent of prewar, compared with an average of 30 percent in 1947.

Recovery of the tin mines on Banka, Billiton, and Singkep appears to have benefited greatly. The tin-production rate in 1948 rose 100 percent over 1947 and exceeded production levels for some prewar years.

The high cost of rehabilitation can be measured by the figures of the Billiton Company shown in a recent annual report. Rehabilitation alone has cost more than 40,000,000 guilders (1 guilder equalled 38 U.S. cents in 1948), while war damage was assessed at 20,000,000 guilders. In spite of this, the Billiton Company reports that losses have already been recouped and most of its equipment is better than before the war.

Billiton is operating with 14 bucket dredges, 5 of which have bucket capacities of 14 cubic feet each, 8 are of 7 cubic feet each, and 1 of 5 cubic feet. In addition to the bucket dredges, there are 27 smaller dredges and pumps either assisting the larger dredges or operating independently in smaller mines. Billiton has 7,600 workers, of whom 5,000 are Indonesians and the remainder Chinese.

Banka now has in operation 11 large bucket dredges, 5 of which are equipped with buckets of 14 cubic feet capacity and 6 with 9 cubic feet capacity. In addition, Banka has 36 dredges of smaller capacities working 31 mines and



## Report from Burma

There were no marked changes in Burma's economy during October. Apart from some slight evidence suggesting possible financial assistance by members of the British Commonwealth, no abatement was apparent in the deterioration of the country's economic position under the impact of continuing insurrection. There are no immediate prospects for improvement unless there is a sharp break in the current impasse.

Exports of rice, the only item sustaining Burma's foreign trade, now are expected to fall short of the previous estimates for this year by as much as 50,000 long tons. Although rice shipments during October totaled 72,483 tons, the total exportable quantity for November is not expected to exceed 30,000 tons. There are reportedly ample stocks to meet Burma's commitments, even to exceed them, but the bulk is located in insurgent-held areas and cannot be moved to the ports for shipment.

With the end of the rice allocation system scheduled for December 31, 1949, Burma is now making preliminary negotiations with rice-importing countries for the sale of rice, wherever possible on a long-term basis. Burma's opposition to continuation of the allocation scheme stems from a desire to reestablish the normal pattern of rice export trade.

Second crop forecasts for cotton, ground-nuts, and sesame for the agricultural year 1949-50 indicated that the planted acreages for those crops probably would be 7 to 9 per cent less than for last year. The acreage of early sesame is estimated at 439,000; late sesame, 372,600; cotton, 162,300; and ground-nuts, 382,800. Estimates of exportable rice for 1950 are not yet available, but the working figure is

750,000 tons, almost 40 per cent less than for the current year.

The teak industry is at a virtual standstill since movement of timber from forests to mills at Rangoon has been effectively stopped by insurrection and banditry. During October, a large British concern with a long history in Burma announced that it had obtained a timber concession in Tanganyika Protectorate and was moving part of its staff there. The firm owns a sawmill in Rangoon and another in Moulmein.

Publicity was given to the extended "secret" conferences between the Burmah Oil Co., Oilfield All Employee Association, Trade Union Congress of Burma, and the Burmese Government. The agenda included the jurisdictional dispute between the two unions; the Burmah Oil Co.'s proposal to reduce its operating staff by almost 50 per cent because of insufficient work; and the proposal for granting the Government a share of ownership in the company, reportedly one-third. Apart from the importance of the results to the parties directly involved, the discussions are being carefully followed insofar as they will serve as a barometer of the Government's future policy toward private capital, particularly private foreign capital.

The devaluation of the Burmese rupee has still not effected any basic change in the economic picture. There have been increases in the retail price of most consumer goods, and the wholesale price of some agricultural commodities, but these are more likely attributable to scarcities and controls, which are the products of civil strife, than to currency devaluation. A more-immediate problem was the adjustment of trade arrangements with Pakistan

and Japan, necessitated by the decision of these countries not to devalue their currencies. Burma apparently has successfully negotiated changes ensuring benefits equivalent to those that had been agreed upon prior to devaluation.

On October 11, 1949, the Prime Minister announced revised regulations for tightening the enforcement of existing import and export controls, and restricting such activities as the sale of import licenses and air charters. Considerable emphasis was given to the fact that Economic Courts with summary powers to try offenders, and headed by specially selected judges, would be established to deal effectively and expeditiously with the so-called economic insurgents.

Installation of machinery got under way during the last of October in the Government's 20,000-spindle and 400-loom cotton spinning and weaving plant. An American technical consultant, associated with a prominent textile-machinery concern in New England, is assisting in the establishment of the plant. It is expected that operations may begin by the end of 1950. In addition to the actual installation of equipment, the project also entails the training of all clerical and skilled personnel. Burmese officials have stated that 16 similar plants will be established in Burma if the first "pilot model" is successfully operated.

An optimistic note was sounded by the reported agreement of representatives of the United Kingdom, India, Pakistan, and Ceylon to grant Burma a "Commonwealth loan." The conference's recommendations have not been published, but the loan is reported to be 180,000,000 rupees, equivalent to US\$37,800,000 at the new rate of exchange.

## Japan's Postwar Trade Agreements

14 small subcontractors' diggings. There are approximately 10,000 workers about equally divided between Indonesians and Chinese.

Singkep has 3 bucket dredges each with 14 cubic feet bucket capacity and 1 dredge with 9 cubic feet bucket capacity. Six pumps and hydraulic dredges either assist the larger dredges or operate independently in smaller diggings. The number of workers on Singkep totals 1,850.

**Outlook:**—The high postwar price for tin has favoured rapid rehabilitation. It is too early to determine the extent to which the recent decline in world prices, however, will affect the competitive position of Indonesian producers.

Operators in Indonesia have no fear that the supply of tin ore will be exhausted. The alluvial ore reserves on the islands is estimated at 1,000,000 tons of tin content. In addition, extensive deposits of primary ore in lode mines have never been fully developed; a prospecting program is under way to determine such ore reserves.

The first foreign trade agreement permitted Japan following hostilities' end took place in March 1947 with the Philippine government. Instead of depending upon the United States Commercial Company for sale of Japanese export goods, the agreement was based on an open account system for conduct of trade between the two countries. In reality, however, it was a sort of an import-export arrangement since all exports from this country were subject to SCAP's licensing with relative documents signed by the Governor of the Board of Trade.

As from August, the same year, Japan was permitted to resume private foreign trade, subject to certain restrictions, and the sterling area came to be one of her export markets. Subsequently, a provisional monetary arrangement between Japan and the sterling area was completed by ISCAP officials and the British trade mission. Provisions thus laid down were consolidated in June, 1948, by an over-all payment arrangement.

In the same year, almost similar financial arrangements were completed one after another with such countries as the French Union, China, Thailand, and the Netherlands. It was only a little later that the sterling pact and the trade agreement with the French Union came into being.

The period from the beginning of the last six months of 1948 up to last fall marks the second stage for Japan in making arrangements for trade with foreign governments. Overtures for conduct of overseas trade were pushed on an expanding scale during the corresponding period in parallel with other attempts to cultivate new export markets in Asia, Europe and Latin America.

It may be said that Japan has now stepped into the third stage. Properly speaking, it has become needful for her to place an emphasis on the "import-first" formula. The change is considered necessary in the light of her one year experience in foreign trade under the above-mentioned sterling arrangement and the unsatisfactory results.



gained by similar arrangements with Latin American countries. The so-called "Logan plan" was brought to wide notice just about this time calling for a thorough-going study in accordance with the same principle. It was first adopted by Germany and has so far been proving its effectiveness.

For Japan, foreign trade measures should be so formulated as to best improve its economic condition in the face of new developments in international trade practices.

To begin with some technical points trade agreements, usually prepared by SCAP officials negotiating with foreign trade representatives, become effective when formal concurrence is obtained to the signed agreement from the government which the mission represents.

Starting from the document of agreement prepared by SCAP and the Finnish government, there is a note added thereto for the purpose of making it clear that Japan is virtually one of the contracting parties, admitting that the Supreme Commander for Allied Powers in Japan acts on behalf of the occupied Japan in matters of trade arrangements. It was also since then that the Japanese government has been permitted to send its representatives, as a rule, in the role of observers to such negotiations. They furnish necessary information to Occupation authorities or, if requested, give their voice to the problem under discussion. In addition, the fact that last May the Far Eastern Commission discussed the possibility of granting Japan the right to participate in international conferences further strengthens our expectation that before very long Japan will be allowed to conclude international agreements by herself.

To account for the general outline of trade agreements concluded up to now for Japan, it is convenient to break the subject into three categories, i.e. financial arrangements, trade arrangements and import-export programs.

As at the end of November, 1949, countries with which such agreements have been concluded numbered 19, i.e. the sterling area; Asia including Thailand, China, Korea and Hongkong; European powers such as the Netherlands, the French Union, Sweden, Finland, Belgium and west Germany; and Latin America. Arrangements have not been officially signed as yet with Burma, Egypt and Pakistan. There is, of course, a notable difference in the way Japan is bound by trade ties with these countries since provisions vary with each country. To date, the arrangements as they exist with the sterling area, the Netherlands, and Thailand are considered to require amendments.

#### Financial Arrangements:

All the established arrangements are designed to cover the conduct of trade in the interim before Japan concludes a peace treaty with the allied countries, the only exception being those with the four American republics which are valid for the stipulated period of one year. Sweden has refused to make a payment arrangement with Japan, on

the ground that the country has been adopting a barter system for its foreign trade in an effort to alleviate the shortage of dollar reserves.

Financial arrangements are grouped into several types according to the system for settling accounts resulting from the visible and the invisible trade as well as licensed payments of overseas expenditure.

Firstly, there is the sterling cash group which comprises of the sterling area such as the United Kingdom and its colonies (exclusive of Hongkong), Australia, India, New Zealand and South African republics. Burma and Pakistan logically belong to this grouping. The Supreme Commander for Allied Powers in Japan has the right to convert the sterling balance into U.S. dollar upon request.

Secondly, the dollar cash group includes Sweden, Korea, Belgium and the six Latin American countries. Belgium has demanded that the agreement should provide for both parties to make available amounts of dollars equal to the amount of payments accruing to Japan and Belgium. Uruguay has proposed that exports from Japan should be settled on hundred per cent by imports from that country.

Countries adopting an open account basis are Thailand, the French Union, China, Finland, Brazil, the Argentine, West Germany and Hongkong. With these eight monetary areas, the so-called open accounts have been established through which the balance of trade is cleared once or twice a year. Under the condition of cash basis, on the other hand, payments have been effected usually, through banking organs utilizing letters of credit or available means. In the Dutch-Japanese trade arrangement, it is stipulated that the accounts are to be held in escrow. It is an admixture of an open account and a cash basis. If a bank accepts bills of exchange drawn under the letters of credit, the corresponding amounts are transferred from the SCAP account to the credit of the government account, usable solely for payments as are detailed in the arrangement, on the condition that the balance is to be ultimately settled in U.S. dollar.

The purpose of these financial arrangements, irrespective of the basis adopted for payment which varies one from another are all equally aimed at minimizing the discrepancy of balance in trade accounts which requires settlement by means of the dollar.

#### Trade Arrangement:

Arrangements for trade have not been completed as yet with Brazil and China. Arrangement with the Swedish government took the form of Several Terms of Understanding for Trade, while with Peru and the Mexican government this country has exchanged only notes for preliminary arrangements. Basis for a trade financial accord was settled with Colombia and Venezuela and the renewal of commercial relations has been declared by the latter.

The terms of these trade arrangements in most cases are for a period of one year, and provides to the effect that it is the intention of both parties to increase the volume of trade between the two countries on an expanding scale along the line as much as practicable of balancing imports and exports. In other words, the aim of such bilateral trade arrangements established on the reciprocal ground lies in balancing foreign trade at the highest level.

Both contracting parties are required to honor any restriction or control prescribed and enforced by any one of the parties. The Swedish government, however, has consented to relax existing import-export licensing restrictions, while Belgium has demanded that each party should apply normal measures pertaining to international trade as might be in force and effect from time to time in the areas under the control of the other. The agreement reached with Germany provides that the Allied military governments in both countries will grant or authorize import and export licenses for the goods enumerated in the attached list of the agreement, and states in addition that the trade program annexed to the document of arrangement is in no way meant to be restrictive nor exhaustive since it is intended to tentatively represent the volume of trade tangibly to both parties. It is, therefore, subject to enlargement at any time.

Frequently the document of agreement bears also provisions concerning arrangements for entrepot trade, shipping and customs practices.

#### Import-Export Program:

Governments of nine different monetary areas have settled the prospective items of trade with Japan enumerating them in a table of statement annexed to the official text of their arrangements. Those countries are the sterling area, Thailand, the Netherlands, Sweden, the French Union, Korea, Uruguay, Finland, and Germany. In case there was no major product available for export, or in case it was impracticable to set any tentative estimate on the exportable surplus of the products in question, trade agreements were concluded disregarding this table.

Negotiations for deciding the items of trade often require the countries to act tactfully on their major products. This fact was clearly indicated when Japan wanted to import rice from Thailand in exchange, for her steam locomotives, rubber from Indonesia for textile goods, and rice from Korea against shipment of fishing products. Since demand and supply relations depends in this instance upon how far one of the parties will consent to meet the proposed requirement from its partner, some concessions had to be offered such as, for instance, that necessitating this country to spend dollars in order to buy certain fibre materials from Egypt or another to preclude steel ships constructed in Japan from the list annexed to her agreements obtained from Finland and the French Union. It has been frequently witnessed that native products of certain categories

## Japan's Trade in 1949

The Economic Stabilization Board of Japan recently made public its survey the "Trade Situation in 1949" analyzing the actual returns from overseas trade during the twelve months ending last December. Quoting from the SCAP Economic and Scientific Section's survey and the customs statistics prepared by

were reserved exclusively for export to hard currency countries making up for the resulting discrepancy by increased sale of non-essential goods which they had in view of exporting on an expanding scale. Such bargains often went beyond the boundary of normal exchange of economic goods and gave rise, on the other hand, to the so-called combination sale.

Programs agreed upon through these steps have not been made public for the benefit of the interested parties. It is supposed that around \$370,000,000 worth of goods will be shipped abroad this year under these programs. Judging from Japan's export target determined at \$580,000,000, for this year, one can realize the significance for the achievement of the goal.

### Conventional Trade Past and Present

According to actual returns, Japan has an excess of exports in the sterling area, Belgium, the Netherlands, and Korea, whereas trade with Thailand, Sweden, and Finland has been fairly balanced. This country suffered unfavorable balances in relation to trade with French Indo-China, China, Mexico, and Germany. With the Argentine and Brazil our foreign trade was, at it were, at a stand still during the corresponding period.

In order to prevent undesirable developments arising from the above-mentioned tendency, Japan will have to find profitable products to buy from the sterling area and Belgian markets. As for Korea, Thailand and Burma, the solution depends upon rice, while any increase in purchase of pulp by Japan is eligible for expanding our trade with Finland and Sweden. Unfortunately, the demand is now very weak. As for the Argentine, around \$20,000,000 worth of imports including cereals, wool, oils, fats, and hides, etc. are expected to be made in the near future under the positive buying policy of Japan being designed to expand the volume of trade with these countries.

From the foregoing it may be inferred that what is important for this country lies not only in adjusting her unbalanced position with respect to some countries, but also in balancing her trade at the highest levels, promoting the export and import of this country in accordance with deliberated determinations in the light of Japan's position in relation to each partner of her trade arrangements. In the meantime it is also to be admitted that existing trade arrangements have not always been infallible to some technical shortcomings in so far as they are scrutinized from this standpoint.

the Ministry of Finance, the government report, designed to account for the fundamental condition in which Japan's overseas trade will find itself during 1950, estimates last year's export and import as having reached US\$1,440 millions in total. Compared to the preceding year, exports rose from \$258 millions to \$500 millions, a two-fold increase, and imports from \$680 millions to \$940 millions for a 38 per cent increase.

Since the volume of trade during the 1930-34 base period amounts on the average to US\$3,667 millions according to the current price level, the total turnover of exports and imports accounts barely for 39 per cent. Despite the comparatively low level, however, the percentage accounts for a sizable increase achieved last year since the ratios were 19.4 per cent in 1947 and 25.6 in 1948. The rising tendency revealed in real terms is considered sufficient to strengthen the expectation that it is no necessarily impossible for Japan to expand her exports and imports to the amounts of US\$800 millions and \$1,000 millions respectively during January through December this year.

A break-down according to subjects, as taken from the survey, follows.

### Export:

A favourable trend was witnessed in the first six months enabling Japan to obtain export contracts aggregating \$315 millions during the period, or \$62 millions monthly on the average. It was enjoyed largely through trade with the sterling area under the Anglo-Japan trade pact until it expired in June. Exports from Japan were increased considerably as the terms of trade changed strongly in favour of Japan owing to the decline of the pound currency.

In the following six months, more especially during the July-October period, exports dwindled to \$30 millions on the average per month owing to the failure of Anglo-Japan trade talks on the renewal of the expired pact, and notably by the devaluation of the sterling currency which was announced in September. In the last two months,

the stalemated condition was greatly alleviated by the abolition of the floor prices system heretofore imposed on Japanese export commodities and the conclusion of the new trade pact between Japan and the sterling monetary area. Exports returned to the \$60 millions mark during these two months.

As a whole, however, export contracts obtained in the second half of the year are believed to total less than those in the first six months.

### Import:

Imports amounted to US\$368 millions in the first six months. At in the case of exports, the figure compares favourably with that for the latter half of the year. Especially interesting was the fact that Japan increased her purchases from the Asiatic market following a sizeable importation of rice from Thailand in January.

Generally speaking, the import trade during the last six months hit a low ebb owing to many unfavourable factors, notably by the recession of effective demand in the domestic market, and the depression of export and industrial activities.

Food imports including rice from Burma and Thailand increased in August, bringing total imports for the month up to \$80 millions, an amount comparable to the 97 million yen recorded by April. In October food imports amounted to \$58 million including wheat and barley bought from the Argentine in consequence of the "import-priority" formula recommended by Mr. Logan. Imports from the sterling area decreased, starting in November.

### Imports and Exports by countries:

As for imports (during January through September), the United States topped the list, her shipments to Japan constituting 66.8 per cent or around two-thirds of Japan's total imports. Except for Latin American countries, imports from nations other than USA increased fractionally during the corresponding period.

As for exports, the sterling area, notably the sterling monetary areas in Asia took nearly 50 per cent of our exports.

## THE "KODAN" SYSTEM OF JAPAN

### I. Introduction.

A "kodan" (translated as a public corporation or simply as a corporation) is a public juridical person with a personality separate from the government and a status divorced from the government as the subject of rights and obligations. However, its officers and staff are classed as government officials and other government employees in respect to their status. In a word, though the building in which it is housed is different from that of the government, the persons living in it are the same as those of the government. The "kodans," with such special characteristics, are new commodity distribution control agencies for the integration and coordination of economic control, still demanded even in the post-war period,

with the requirements of economic democratization. They have their origin in the public corporations established in the United States during the New Deal Age and the subsequent period of extraordinary situation. Briefly, the "kodans" are government-operated commercial agencies.

The purpose of this treatise is to explain in a very general way the reasons for the birth of the various "kodans" and the role played by them in post-war Japanese economy.

### II. Circumstances leading to the establishment of the "kodans"

In the name of replenishing munitions supplies, wartime economy brought about an unbalanced development of the producers' goods industries



and consumers' goods industries and also an unbalanced development of the producers' goods industries themselves (an unbalanced development between the finished goods and ordnance manufacturing industries on the one hand and the basic materials industries on the other). Japan's defeat in war, moreover, brought about a huge loss of her resources, destruction of her various productive facilities and the shortage of various consumers' goods.

It was only natural that such a state of economy, if left to take its own course, would lead to the destruction of the whole economy. The extreme dislocation of the demand and supply relationship due on the one hand to the enormous demand for the rehabilitation of the destroyed economy, the procurement demand of the Occupation Forces, and the demand for goods for export as a counterpart of imports of foods and other necessities and on the other hand to the extreme lag in production, against the background of soaring inflation since the wartime, meant, if left to itself, the eventual collapse of the whole economy. Herein lay the need for controlled economy even in the post-war period. It was in view of this need that SCAP Directive No. 3 of September 22, 1945 ordered the effectuation of economic control by holding the Japanese Government "responsible for initiating and maintaining a firm control over wages and prices of essential commodities" and "for initiating and maintaining a strict rationing program for essential commodities in short supply, to insure that such commodities are equitably distributed."

Upon receipt of this directive, the Japanese Government enacted in October 1946 the Temporary Demand and Supply Adjustment Act, whereunder appropriate and equitable distribution of essential commodities was carried out. For the enforcement of such control over the distribution and consumption of goods, the most important factor was the kind of control agency to be charged with its enforcement. At the time of the enactment of the Temporary Demand and Supply Adjustment Act the Japanese Government had intended to adopt a method of autonomous control by trade associations, but such method of control was rejected upon receipt of a SCAP memorandum dated December 11, 1946, subject: Methods of control under the Temporary Demand and Supply Adjustment Act, wherein it was ordered that "the Imperial Japanese Government will withdraw from industry the powers of distribution control" and that "the control of distribution of materials and products by the method of exclusive purchase and sale by a designated private company or association will be eliminated."

There were two reasons for this rejection of the method of autonomous control: Firstly, artificial control, being only a temporary measure in the post-war period, should be immediately abolished when an equilibrium between the demand for and supply of commodities is reached. For such a purpose a private control agency in the form of a corporation or other organization is

not appropriate. Moreover, it is contrary to the spirit of the Anti-Monopoly Act to make an exclusive commodities purchase and sales agency into a statutory control agency. Secondly, the establishment of a distribution control agency capable of directly embodying the will of the government is necessary if the economic crisis resulting from successive diminution of production is to be overcome.

Accordingly, the function of controlling distribution was vested in the government, and the "kodan" system was adopted as a distribution control agency capable of directly embodying the will of the government in order to insure fair and equitable distribution. Thus beginning with the establishment of the Fertilizer Distribution Kodan in May 1947, the Industrial Rehabilitation Kodan, Ship-Holding Kodan, Solid Fuel Distribution Kodan, Price Adjustment Kodan, Petroleum Distribution Kodan and Foreign Trade Kodans were established one after another. Then from February 1948 onward the Grocery Distribution Kodan, Oil-stuff Distribution Kodan, Foodstuffs Distribution Kodan, Feeds Distribution Kodan and Liquor Distribution Kodan were further established. Table I below gives the dates of establishment of the various "kodan."

Table I. Dates of Establishment of "Kodans"

Name of Kodan	Date of Establishment
Price Adjustment Kodan	June 2, 1947
Solid Fuel Distribution Kodan (or Coal Distribution Kodan)	June 1, 1947
Petroleum Distribution Kodan	July 15, 1947
Fertilizer Distribution Kodan	May 1, 1947
Industrial Rehabilitation Kodan	May 22, 1947
Ship-Holding Kodan	Feb. 20, 1948
Grocery Distribution Kodan	Feb. 20, 1948
Oil-stuff Distribution Kodan	Feb. 20, 1948
Foodstuffs Distribution Kodan	Feb. 20, 1948
Feeds Distribution Kodan	Feb. 23, 1948
Liquor Distribution Kodan	Mar. 1, 1948
Foreign Trade Kodans	July 1, 1947

### III. The Status of "kodans"

#### a. The character of "kodans"

As already stated, "kodans" are government-operated commercial agencies. In the past, two methods have been used in Japan for the control of the distribution of commodities and the management of public enterprises. One method is the control company and/or control association method, and the other is the direct control method, such as is found in the case of government monopolies. The "kodans" differ from the former in that they are capable of directly embodying the will of the government, and from the latter in that they are public juridical persons possessing personalities separate from that of the government. We shall now clarify the character of "kodans" by pointing out the defects of these two methods.

First, the following defects are found in the control company method:

(1) Since a control company is a company created under the Commercial Code, the fostering of control by such a company is tantamount to the encouragement of a private monopoly by the government itself.

(2) Since the status of the officers and employees of a control company is

not different from that of the officers and employees of a commercial company, the government's supervision over them is only indirect and inadequate.

(3) The government has no statutory powers of issuing orders to or supervision over the control company itself.

On the other hand, the government monopoly system has the following defects:

(1) Since the incomes and expenditures of a government monopoly are subject to control under the government budget, its activities cannot be efficiently conducted in those cases where it engages in the purchase and sale of commodities or in price manipulations.

(2) A government monopoly finds inconvenience in making use of the funds of the Reconversion Finance Bank (hereinafter referred to as R.F.B.) and private financial institutions as its working capital.

(3) A government monopoly gives an undemocratic impression by implying a strong sense of government pressure upon private operators.

The name "kodan" has been given to a system established with the object of avoiding the defects of these two methods but retaining their merits. That is to say, it was established as a system free of the evils of a control association in order to avoid the budgetary restrictions of the government and to clearly define its character as a public juridical person and the government's responsibility for its management. In a word, the character of a "kodan" may be said to be more akin to that of a government monopoly and/or government enterprise than to that of a control company and/or control association.

#### b. The functions of "kodans"

There are two classes of "kodans," one class consisting of those organized vertically according to commodities and kinds of industries, while the other class consists of those organized horizontally according to a number of commodities or industries. To the latter class belong the Price Adjustment Kodan, Industrial Rehabilitation Kodan, Mineral and Manufactured Products Foreign Trade Kodan and Textile Foreign Trade Kodan. The other "kodans" all belong to the former class. Omitting here a description of the function of each if these classes of "kodans," we shall give here only a rough outline of their functions by taking up the three functions common to all of them.

The "kodans" carry on their activities under the supervision of the respective competent ministers pursuant to the basic policies and programs determined by the Director of the Economic Stabilization Board. Their functions comprise (1) the control of the distribution of commodities, (2) adjustment of prices and (3) quasi-banking operations. In the light of these functions, the "kodans" may be said to be performing their functions as government-operated commercial agencies.

We shall now proceed to describe briefly each of these functions in the order given.



### (1) Control of Distribution

The primary function of the "Kodans" being that of a distribution control agency, the "kodans" engage in the fair and equitable distribution of various commodities in accordance with the allocation programs and distribution procedures established by the Director of the Economic Stabilization Board.

The need for distribution control arises from (1) the stringency of demand and supply, (2) the need for speeding up industrial recovery and (3) the need for facilitating the stabilization of the people's livelihood. It follows that the subject of distribution control consists of commodities necessary for the stabilization of the people's livelihood, or so-called stabilized-zone commodities, comprising (1) such basic commodities as iron and steel, soda, fertilizers, non-ferrous metals and coal, (2) such necessities of life as foodstuffs, groceries and feeds, and (3) imported commodities.

The commodities subject to distribution control by each of the various "kodans" are as follows:

Name of "kodan"
Price Adjustment Kodan
Fertilizer Distribution Kodan
Solid Fuel Distribution Kodan
Foodstuffs Distribution Kodan
Grocery Distribution Kodan
Feeds Distribution Kodan
Liquor Distribution Kodan
Oil-stuff Distribution Kodan
Foreign Trade Kodans
Petroleum Distribution Kodan

are higher than the consumers' prices, the national treasury pays price differential subsidies through the various "kodans." In those cases where the producers' prices for certain kinds of commodities are higher than the consumers' prices in certain cases and lower in other cases, the "kodans" carry out price-levelling operations. (Since the consumers' prices represent the arithmetical averages of the various producers' prices, the "kodans" sustain no loss if the differential is collected from the profit-earning producers and paid to the deficit producers.)

Such adjustments on prices are made by the respective "kodans" in the case of the commodities handled by them. The prices of other essential commodities are adjusted by the Price Adjustment Kodan. Since such price adjustments can be fully effective only when they are well coordinated with the function of controlling the flow of goods, the function of adjusting prices, together with distribution control, may be said in this sense to be one of the

#### Commodities

Iron and steel, soda and non-ferrous metals
Fertilizers
Coal, coke, etc.
Rice, wheat and other staple foods
Provisions and marine products
Feeds
Various liquors
Oil-stuff
Imported goods
Petroleum

As to the concrete method of distribution control, these "kodans" act as sole purchasers and sellers of the respective commodities. That is, they purchase the commodities from producers and sell them to consumers. In a word, the "kodans" are intermediaries between producers and consumers.

### (2) Adjustment of Prices

As stated in the previous section, the control of prices was ordered in SCAP Directive No. 3. The Japanese Government, too, promulgated (in March, 1946) the Price Control Ordinance and drew up a post-war price system made up of chiefly official prices, which were further divided into producers' prices and consumers' prices. Since the producers' prices were computed from the standpoint of guaranteeing to the numerous producers under different conditions of production their respective costs of production, such producers' prices were made up of several prices for the same kind of commodities. On the other hand, the consumers' prices were fixed lower than the free market prices and at uniform prices for the same kind of commodities in order to check the rise of prices due to the extreme stringency of the demand for and supply of goods as well as to insure the smooth interflow of raw materials for the production of capital goods.

It is one of the important missions of the "kodans" to adjust this detachment of producers' prices from consumers' prices, which detachment is contrary to the economic law of indifference. In those cases where the producers' prices

primary functions of the "kodans." Incidentally the price differential subsidies to be paid through the various "kodans" under the government's budget for the current fiscal year represent 28.6% of the total expenditures for the current fiscal year.

### (3) Quasi-Banking Function

The quasi-banking function of "kodans" arise from their character of a government-operated commercial agency. The "kodans" play an important role in the economization of the working funds needed by both the producers and consumers. That is, on the one hand they shorten the turnover period of the producers' products in consequence of their sole purchase by the "kodans." On the other hand, they grant credit to the producers by refraining from the unreasonably early collection of the sales proceeds.

Such a function of the "kodans" was not so conspicuous in the days when the "kodans" received financial accommodation from the RFB only. However, with the adoption in March 1948 of the validated note system as the purchase funds of the "kodans," this function has come to bear a conspicuous feature of enterprise relief. This fact has become further noticeable since April 1949 with the recent turn in the economic situation due to the super-balanced budget based on the Dodge line, the discontinuance of lending by the RFB and the slump in export trade.

An explanation of the validated note system will be given later in connection with the financial aspects of "kodans".

It will suffice here to say that a validated note is a single-name note with a maturity of 60 days, drawn by the producer. By discounting this paper at a commercial bank, the producer is able to immediately convert his product into cash and thereby obtain his working funds. In the case of the Price Adjustment Kodan especially, a method of purchase and resale was adopted as its price-levelling operation, and its dealings were confined to producers only, there being none with consumers. Since there was a time lag between the time of purchase and of resale, the producers received dual accommodation from both the Kodan and consumers when they received payment from the consumers during this time lag.

Again, there was credit expansion from the existence of large amounts of open accounts receivable due to the failure to enforce cash transactions in consequence of the issuance of 60-day validated notes and the inefficient management of the "kodans" due to their bureaucratic character.

With the growing monetary stringency since April 1949 due to the conditions already described, the "kodans" were confronted with accumulation of stocks on hand and increase of accounts receivable because they were obliged as government-operated commercial agencies to purchase and sell the commodities in the face of this monetary stringency. For example, the accumulated stocks held on hand by the Textile Trade Kodan amounted to approximately ¥28,600,000,000 as of May 31, 1949 (this fact reflects the slump of export trade). The Solid Fuel Distribution Kodan had coal stocks of 2,300,000 tons as of June 30, 1949 and accounts receivable of ¥19,500,000,000 as of May 31, 1949 (this fact reflects a decrease in the effective demand in the domestic market).

We believe that the foregoing explanation has made clear that the quasi-banking function of the "kodans" is a natural consequence of their character and that such a function has lately become more and more noticeable and has come to bear the feature of enterprise relief.

### (4) Other Functions

We have cited as the common functions of the "kodans" distribution control, price adjustment and quasi-banking operations. There are, however, a few "kodans" which perform special functions other than these common functions. They are the Ship-Holding Kodan and the Industrial Rehabilitation Kodan. The former performs the function of securing or making active use of ships or materials for ships for the purpose of promoting the rapid rehabilitation of post-war shipping. The latter performs, as its name suggests, the function of constructing industrial facilities for which loans are not available from the RFB and private financial institutions. Such functions are performed chiefly by these two "kodans", the common purpose of such functions being the expansion of facilities necessary for the rehabilitation of essential industries.



### c. The funds of "kodans"

The funds of "kodans" may be classified into two classes, namely, endowment fund and working funds.

The endowment fund represents the government's investment entirely, by which fact the responsibility of the government for the management of the "kodans" has been made clear. The amount of the endowment fund of each "kodan" is fixed in accordance with the character and scale of its enterprise. The amounts of the endowment funds of the various "kodans" are shown in Table II. The reason why the term "endowment fund" was used instead of the term "capital stock" was that this fund was intended for use, not as an operating fund, but as collateral for the operating funds to be procured from the RFB.

The method of procuring operating funds (in other words, extension of loans to the "kodans" necessary for the performance of the already-described functions of the "kodans") may be conveniently explained by dividing the lending into three periods. The first period in which loans were obtained solely from the RFB. The second was a period in which the system of validated notes was adopted. The third period covers the period subsequent to the discontinuance of finance by the RFB.

Table II. Endowment Funds of the Various "Kodans"  
(In millions of yen)

Name of "kodan"	Endowment Fund
Price Adjustment Kodan .....	30
Solid Fuel Distribution Kodan ..	200
Petroleum Distribution Kodan ..	30
Fertilizer Distribution Kodan ....	50
Industrial Rehabilitation Kodan ...	200
Ship-Holding Kodan .....	300
Grocery Distribution Kodan ....	40
Oil-stuff Distribution Kodan ....	10
Foodstuffs Distribution Kodan ....	80
Feeds Distribution Kodan .....	10
Liquor Distribution Kodan .....	30
Foreign Trade Kodans:	
(1) Mineral and Manufactured Products .....	15
(2) Textile .....	30
(3) Foodstuffs .....	15
(4) Raw Materials .....	20

Note: As shown above, the Foreign Trade Kodans are divided, for convenience of business operations, into the Mineral and Manufactured Products Foreign Trade Kodan, the Textile Foreign Trade Kodan and the Raw Materials Foreign Trade Kodan.

### IV. The future of the "kodan" system

The foundation of Japanese economy is now undergoing great transformation owing to three factors, namely, (1) the government's reduced demand for goods in accordance with the balanced budget for the 1949 fiscal year, (2) the discontinuance of lending by the RFB and (3) the slump in exports. This transformation has become manifest in the forms of accumulation of stocks and increase in accounts receivable due to the decrease in the effective demand for goods. As a result, the disequilibrium of demand and supply that existed in the immediate post-war period has been greatly moderated. The effect of this decrease in the effective demand has been focussed on the "kodans" by virtue of the latter's character as government-operated commercial agencies, with the result that their quasi-banking function for alleviating the difficult financial position of makers has come to be more important than their primary functions of distribution control and price adjustment. Thus they have come to have the feature of relieving enterprise. On the other hand, the "kodans" are confronted with increasing difficulty in their financial operations due to the loss of the way for obtaining funds in consequence of the discontinuance of lending by the RFB. Such being the circumstances, the functions of the "kodans" will have to be curtailed and their structure reorganized. Inasmuch as the "kodans" are temporary entities established for the purpose of stabilizing the people's livelihood and rehabilitating industries in the post-war period, they are doomed to be abolished when the need for artificial economic control disappears. It is also only natural that the "kodans" should be abolished if the aim of the nine-point economic program of the Dodge line is to put Japanese economy and enterprises on a self-supporting footing.

In reflection of the foregoing circumstances, the Petroleum Distribution Kodan was abolished at the end of March 1949, while the four foreign trade "kodans", consisting of the Textile Foreign Trade Kodan, Mineral and Manufactured Products Foreign Trade Kodan,

Raw Materials Foreign Trade Kodan and Foodstuffs Foreign Trade Kodan, were consolidated into two "kodans", namely, the Textile Foreign Trade Kodan and the Mineral and Manufactured Products Foreign Trade Kodan. This was followed by the abolition of the Liquor Distribution Kodan at the end of June 1949 and of the Solid Fuel Distribution Kodan on September 15, 1949. The remaining "kodans" are scheduled to be abolished on April 1, 1950. It is the present policy to consolidate the "kodans" or curtail their functions even before this date.

However, the role played by the "kodans" in the post-war period has been great and their contribution to the stabilization of the people's livelihood and industrial rehabilitation has been of no small importance in view of the fact that the commodities handled by them comprised basic commodities and daily necessities. And as already stated, the benefits received from the "kodans" by both the producers and consumers with respect to working funds have been very substantial. It may be truly said that the "kodans", as government-operated commercial agencies, covered up the weakness of private commercial capital. It must be said that the abolition of the "kodans" is really difficult if we take into due consideration (1) the weakness of private commercial capital, which will otherwise have to replace the "kodans" (2) the fact that existence of the "kodans" has alleviated to a certain extent the difficulty of cash conversion of products by both large and small and medium-sized enterprises due to the decrease in effective demand, and (3) the fact that the abolition of the "kodans" is a matter of life and death to small and medium-sized enterprises which, unlike great enterprises, are lacking in financial resources and organization power and suffer from the narrowness of both the domestic and foreign markets. This difficulty of abolishing the "kodans" reflects in itself the weakness of present Japanese economy, but such difficulty must be overcome by all means for the sake of putting Japanese economy on a self-supporting basis.



